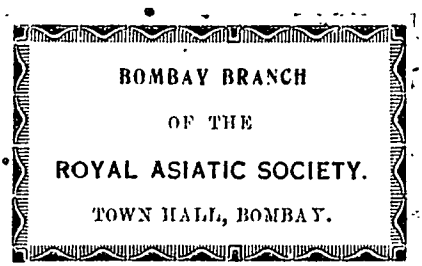
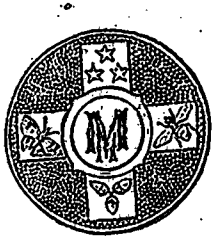

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RESOURCES OF A NATION.

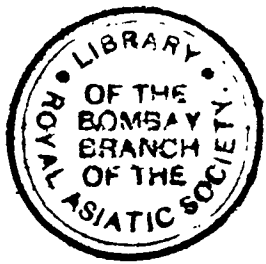


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THE

RESOURCES OF A NATION.

A SERIES OF ESSAYS.



47716 a

BY

ROWLAND HAMILTON.

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PREFACE.

SOME few words of preface should accompany these Essays. They are not in any way intended as a manual of Political Economy;—a different form and more exact method would be requisite for any such work. My endeavour has not been to set forth the leading principles only of the science in concise and regular order, but also freely to discuss some of the many various opinions held regarding them. For even thoughtful and educated men, who have not made the subject one of special study, too frequently entertain, more or less loosely, very false and erroneous associations of ideas regarding the whole science, which thus is often disliked and distrusted in proportion as its doctrines are wrongly and imperfectly apprehended.

The inherent interest of the work once entered upon led me very greatly to extend my original design; but keeping this object in view, I have studiously avoided the consideration of doubtful and unsettled problems within the limits of the science. I have striven rather fairly and simply to explain terms and definitions already received, and to elucidate the

real scope and meaning of principles the truth of which can be fully demonstrated, viewing them, however, rather from without, —from the many different stand-points familiar to those who regard Political Economy chiefly as it affects, or is supposed to affect, philanthropic and social questions of more general interest.

I shall be well repaid if my labours tend in any degree to bring true workers to trust and appreciate each other more justly, and to direct their exertions with more unity and discrimination against evils which all desire to combat in our body politic.

R. H.

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RESOURCES OF A NATION.

I.

THE GENERAL CONDITIONS OF PROGRESS.

THERE is no stronger or more encouraging indication of the reality of our progress in civilization than the attention bestowed on great problems of social interest. Widely as opinions may differ as to the best means by which the prosperity of the nation may be secured or advanced, there is still the common desire professed that all sections of the community may freely share in its progress.

It is commonly said that this is an age of materialism. The real truth of the assertion is open to question, although its material development is naturally that which is most obvious; and one of the most striking features of society in the present day, is the rapid increase of wealth. With it comes the inquiries:—Whence does it spring? How is it derived? In what does its true value consist? By what means can it best be distributed among all who are willing to labour? How far does its superabundance contribute to the health, strength, and welfare of the body politic? Such questions as these are constantly and earnestly discussed, and many extravagant ideas are entertained regarding the power of wealth, not only by those who cherish it as the great good to be obtained in life, but even more, perhaps, by some who

regard it chiefly as a means whereby the condition of the poor may be raised, and more humanizing influences diffused among the ignorant and degraded; while others profess to contemn not wealth alone, but all pursuits having for their object the attainment of merely material results. Yet wealth, like knowledge, is truly "power," though it must ever be remembered that it is not by power, in any such sense, but by the right direction of power, that good can be attained.

Much of the confusion of ideas which prevails regarding many of these topics, arises from the attempt to treat subjects properly belonging to the philosophy of political economy, as though they were within the limits of the *science* so named; but, however desirable it may be to extend the application of exact laws regarding matters coming so nearly home to all of us, such mistaken efforts must tend far more to the permanence of dogmatism than to the establishment of truth.

What men ought to value, and the means by which a just distribution of the fruits of labour can best be secured, are questions of the highest importance, regarding which the most diverse opinions are maintained both speculatively, and, to a still greater extent, practically; but the laws relating to the interchange of those things which men actually do value, are capable of demonstration. The cost of voluntary labour, and the results of that labour as applied to things which are, in point of fact, the real objects of men's desires, can be accurately compared, and a firm and just basis thus laid for the further development of the science, as higher views of value are established as principles actively governing and controlling the conduct of mankind.

The endeavour in these essays is to consider and exemplify the exact laws of the science of political economy, in relation to its higher and more general principles, and to show that the true development of the "resources of a nation" of free

men depends as essentially upon the just recognition of the former, as upon the observance of those obligations by which all society is knit together in its varied relations.

Before attempting to inquire analytically into the resources of a country, it is essential not only to consider, but, in some measure, to realize the condition of mutual dependence under which alone any people can attain to a state of civilization. That we all are mutually dependent on each other, and that the divisions, or, to speak more strictly, the organizations of labour in a country so advanced as our own, are very wonderful, is in some sort known to every one. But to know of a principle is one thing—fully to comprehend and realize it is another; and we must beg the patience of the reader while endeavouring to bring to mind how infinitely subtle and varied are the combinations of industry, varied in kind and in degree, and equally essential to all advancement, whether moral, intellectual, or material.

A man, or even a family, standing alone in their struggle for life, can do little more, at best, than support mere existence. It is extremely difficult for us to realize such a condition; so used are we to enjoy the advantages of mutual co-operation, that we take its effects as matters of course—as "natural" indeed, "use" being, in this sense, "second nature" to us. One result of this is a not uncommon, but utterly false, idea of independence, as consisting in a man or a nation subsisting without aiding or being aided by others. It is one of the fallacies incident to our position, and arises from a partial and limited view of the requirements of civilized society. The savage knows nothing of real independence. His idea is rule, dominion, if he be the stronger, and the weaker is doomed to destruction in the lowest, or to tribute and service in a higher, stage. In truth, the destructiveness of the most

abject races of men, in whom the constructive faculty hardly can be said to exist, is rather the result of their condition than of any active cruelty of disposition. The idea of working *with* the powers of nature to create what they require, has either been practically lost, or has never been reached by them. Their lives are sustained only by the destruction of the beasts of the forest, or the consumption of the spontaneous fruits of the earth. Others can come only as rivals for these gifts of nature, and the narrow, dark mind of the savage is thus impelled to fear and hate his fellow man in proportion to his absolute ignorance of the creative power of labour. The lowest types of mankind, therefore, are livers alone.

When living in tribes, men have some, though, especially as regards its constructive power, still very imperfect ideas of the uses of labour, while they may exhibit largely-increased capacities for co-operation; but they are essentially dependent on the free gifts of Nature, and not yet fellow-workers with her in developing the richness of the resources provided by an all-bountiful Providence for the common use of mankind.

The history of all races who have advanced in civilization shows the growing recognition of the use and value of constructive labour. The acknowledgment of its utility is often retarded by prejudice, and the self-interest of the stronger and dominant section in a community, who are constantly found more ready to enjoy the fruits of labour, than to own the true source from which they are derived.

There seems no just reason to suppose that the qualifications which formerly gave pre-eminence to men or tribes are positively less useful than they formerly were; the reverse, indeed, is the case, for we are now better able to withstand or oppose those influences of nature which threaten or destroy our existence; but by slow and tedious and intermitting steps, we are being brought to know that our strength

and well-being is not to be best secured by blindly struggling against nature, or with our fellow-men for her casual gifts but by patiently studying her laws, so that we may range ourselves on her side, and, working with and in obedience to them, avail ourselves of her treasures; and who will venture to set bounds to her resources? It is the organism only that is destroyed—the material remains; and who can tell what limit may be set to the discovery and application of the laws of its reconstruction?

Here, then, is a nobler and grander field given by Him who is above all, for the uses of His creatures—one so complex, so varied, so diffuse, so vast, that the mind fails to realize it in its entirety. We see the keenest intellects and the most vigorous understandings absorbed and lost, as it were, in but a portion of it, and infer, by comparison, the vastness of the whole. And we find in Nature, too, not only the infinitely large, but the infinitely minute. This we know, but the mind cannot grasp the whole. The astronomer considering this world, nay, the orbit of this world, in her annual course, but as a speck, fails to measure by comparison with it the distances of space opened to his view. The microscopist finds a world in every mote. As the one shows the vastness, the other proves the perfection of creation. The labours of a lifetime may be devoted to observations on a field invisible to the unassisted eye. Compare the results, and we find constant proofs of the harmony and the correlation and mutual dependence of the parts so infinitely varied. Such vastness and such perfection are beyond the capacity of the mind—we know of it, but cannot *comprehend* it. We can but attempt to realize partially the generalized truths, for the natural limit of our minds is analogous to the limit of our natural vision. What we gain in extent we lose in exactness. Standing on the topmost peak of a lofty mountain range, the broad plain, rich with the food of thousands, appears

but as a lawn with its verdant or golden hues dimly glowing through the distance—the mighty river, haply bearing on its waters all that supports the prosperity with the attendant civilization of a populous city, is but a silver thread. The city itself may form but a small patch of a darker shade against the setting sun; yet how magnificent the prospect and how rich in instruction to the educated eye. This range of rocks promises metallic wealth; that indicates coal. The alluvial deposits of the river are capable of yielding the most ample returns to the husbandman. The natural line of defence for a state, the natural course of its roads and its rivers, are all seen at a glance. But the gazer knows not whether prosperity or famine reigns in the city, if the plain be bright with flowering weeds or the ripening grain, if the veins of metal and coal are yielding their riches to humanizing industry, or left unregarded and despised; and he, too, as he descends from his lofty height, his imagination full of a simple and harmonious whole, quickly is lost among obstructions hitherto imperceptible. The little hills, ere long, may shut out the view of the great but now distant mountain: ravines and watercourses cross the plain which seemed level as a lawn; he may wander for years within the circuit over which his eye has ranged in a moment, still finding new beauty, fresh objects of interest, and unexpected variety at every step. So it is in life, and we are baffled not only by the infinite multiplicity of objects, but by the different relations in which they may appear to each other, the varied positions which they may seem to hold according to the stand-point from which they are viewed. In its higher problems, the mind of any one man working alone is utterly bewildered: toiling in his own little circle, he quickly finds that he is but repeating himself, and not interpreting nature. He can see but a part, and can form no conception of its relation to the whole. In the commoner operations of mechanical industry, the subjects

are indeed more within our comprehension, but we still find that the greatest attainable perfection can only be secured by minute and subtle divisions both of mental and mechanical labour, the former throughout our social system being as essential, though frequently less apparent, than the latter.

How, then, can a man alone and unaided hope to advance in true power, or in knowledge?

Independence, in a civilized state, can only mean that the usefulness of the individual is made manifest among his fellows in those particular respects—be they high or insignificant—on which he grounds his claim to be received among them as a fellow worker.

And as divisions of labour become more perfect, more varied, and more complex, there will be the greater necessity for some to devote themselves to the study of the relation which one science or branch of industry bears to others—men who can think broadly and accurately, and generalize widely. And we do find men so arising to supply the want now beginning to be keenly felt. Illiberal-minded men, who have devoted themselves to one branch of inquiry, will decry those who have ranged over larger fields as "shallow," and from the like minded will get back the retort that they are "narrow;" but all the breadth and all the depth the human mind can attain will find scope in the work we have to do, if all true-hearted men labour together to extend the range of their common exertions. Science is in its infancy, and the first rays of light have hardly yet dawned on many social questions of the highest importance. The sciences, especially in their correlation; the discipline of an army, the government of a state, the arts, commerce, agriculture, manufactures, all suggest the co-operation of minds of widely different character and capacity, mutually subserving the interests of each other. It will be obvious also that such divisions must be essentially empirical. Science can do much. Every step

science makes is so much gained to society at large; but as ground is thus occupied, pioneers are pressing forward to extend the bounds of knowledge, while investigators of another kind are perfecting its application within the limits already gained. Until progress is completed in perfection, much as science may do for mankind, "sociology" never can be an exact science. We must accept change, doubts, and uncertainty, as the condition of our existence in this world, as the foes that must be met by those who, in however humble a sphere, are in the van of the battle of life.

There is a strong tendency to expect too much from systems, though happily the assumptions of ignorant dogmatism to the place of science are of late years much abated. Too many think only of "order," the bare attempt at preservation from decay, and fear the higher and bolder spirits who strive for progress, forgetting that the theories of a past generation cannot meet the growing exigencies of the present, and that to aim at progress is, so to speak, the only way to leave any margin for the security of order. The temptation is to shirk part of our work. To assume data, and invent hypotheses rather than laboriously seek out and verify truths; to generalize hastily or partially, or by bad logic to make reason appear to fit facts, or facts reason, as may suit the exigencies of a foregone conclusion—are all only different ways of evading labour to which those who are unwilling or unable to co-operate with others are especially prone.

We must not for a moment suffer ourselves to be misunderstood as undervaluing habits of order, and the power of organization: without them no man can make progress; he is lost and overwhelmed by the details of his subject. The faculty of subordinating detail is, indeed, one of the most important powers of the mind, especially for those engaged on matters which have to be brought to a practical test or a definite issue. It is constantly seen that up to a

certain point a man masters the detail of his work; beyond it, the detail masters him. In science he becomes merely the observer and compiler; in administration he takes refuge in routine, and may influence more or less, but no longer controls, the affairs on which he is engaged. No aids, therefore, tending to this end can be despised; and those which have been given by generalizations, formed by abstract reasoning from well-established principles, are of the utmost value. From one point of view, not the highest or most complete, but bearing most directly on our present theme, they are like Algebraic expressions: a complex series of dependent facts are connected under one system or theory which the mind, having once comprehended and learnt, can retain and use as a whole in its future investigations. Nor are even the deductions from hypotheses which have been proved wholly unsound to be hastily condemned as altogether useless. The labour expended on faithful generalizations of facts cannot be without value. An arrangement on however faulty a principle will generally be by many degrees better than no arrangement at all. Nor must it be forgotten that a fallacy clearly expressed is already half refuted; and we cannot refuse an admiration, mixed with some sorrow, for those who, brought up in error which they have failed to discover, have nevertheless so far kept clear their own reason and love of truth, that the cherished dogma has been brought to the light, stripped of all the darkness and obscurity which had surrounded and preserved it. The merit of those who point out a fallacy may not be so great as that of those who have thus unconsciously cleared the way for its detection.

There is so much to be done that the world cannot afford to lose the fruit of any true labour. But what waste do we constantly see; how lamentably do the lower passions interfere, not so much with work, looked upon simply as individual exertion, but with the attainment of results bene-

ficial to mankind. The possession of high scientific attainments, of the richest wealth from the stores of literature, affords no security against the inroads of petty jealousies and narrow prejudices. How large a portion of the power of some of the most highly gifted has been wasted in personal discussions of the most useless and ignoble character. How class suspects class, even when any but the most narrow view of self-interest would show that the true interests of both were identical. We need something more than division of material and intellectual labour to bring all to work together in harmony. It is not from want of knowing that the passions blind the reason, dim the intellect, and distort the judgment—that men suffer themselves to be carried away from the paths of duty in search of self-glorification, or self-aggrandizement, or quit them to gratify the dictates of a false pride or imperious will, alike regardless of their own true interests, or of those of their neighbours.

There is a difficulty in giving a name to this power in man, which essentially controls and directs other powers. We must allude to it as the moral, indicating thereby, rather what a man *is*, than the material or intellectual resources which he may possess, and excluding altogether the idea of ethics as the theory only of morals.

It is strange to how great an extent knowledge can remain, as it were, dormant in the mind. This is specially true of acquired knowledge, as it is sometimes termed, meaning that which is imparted by teaching, or the ideas and opinions of others obtained from books rather than that which is the result of original thought or investigation. And the experience of all times shows that the simple cognition of ethical truths can be perfectly received by the understanding, but remain absolutely dead and unproductive, and without any perceptible influence on the conduct either of men or of nations.

It has been powerfully argued, that the progress of civilization is solely referable to intellectual operations, but in this view moral feelings and sentiments are either ignored or confounded with *knowledge* of morals, which, latter, to our view, is tantamount to leaving morals out of the question altogether. We agree that in all the concerns of life the intellectual faculties are so mixed up with the moral sentiments, each influencing the other, that the attempt to study either of them separately must be utterly futile, and that "progress itself is the result of their united action;" but we do not admit that of these two agents the moral is stationary, and cannot, therefore, be the motive power in producing the variable results which civilization exhibits, or that these must be ascribed entirely to the advancement of our knowledge of intellectual truths. It cannot, indeed, be said, in reference to morals, that "a distant point in the horizon is our goal to-day, and will be our starting point to-morrow;" but the reason is obvious to all who admit, as all believers in revelation must do, that the knowledge of the highest moral truths comes to us *à priori*—the knowledge of these truths has long been present: their realization is yet distant; the knowledge of them is stationary; their effect constant, though unequal; and we measure our progress in them, not by our knowledge of them, but by their vitality in us, as guiding and influencing our actions.

And surely the universal instinct of mankind recognizes this moral life as that which makes the hero,—the great mover of men.

What, though some of the best characters of history have been distinguished—to take Mr. Buckle's example—as persecutors, whether of Christianity in heathen times, or in the name of Christianity in a later, but almost as dark a period?

We recognise the truth and valour of the soldier not the less that, by the mischance of ignorance, he has slain a friend

instead of a foe. His bodily activity, his skill in fence, which gave him the power so disastrously used, are beside the question altogether.

Moreover, justice demands that historical characters shall be judged, not by the *light* only of the age in which they lived, but with reference also to its feelings and sentiments.

Again, treating of war, the same distinguished writer argues:—"Since then the actions of men regarding war have been gradually changing, while their moral knowledge of it has not been changing; it is palpably evident that the changeable effect has not been produced by the unchangeable cause." But what can we here understand by "*moral knowledge*" but the merely intellectual cognition of moral truth? We agree that it would be difficult to show that we had any more knowledge, of any kind, now than we had three thousand years ago, that can be said to bear on the question of war. Is not the change rather owing to the fact that God's seed has slowly germinated and brought forth fruit? It is not that we merely know more of the evils of war, or have discovered that attack will provoke reprisals; the doctrine that the poor are our brethren was quite as well known in Christendom at the time of the Conquest as it is now. Why, then, do we avoid war now chiefly for the misery it will bring on them, and desire it less for national aggrandizement? Is it not that feeling and sentiment, rather than knowledge, have changed? None will deny that Christianity has been a most efficacious civilizing power—and, surely, that has been spread, wherever it has truly flourished, by moral agency in its strictest sense —though a mere knowledge of it has been familiar to those who have abused its name, and made a professed regard for the purity of its doctrine the watchword for the blackest crimes and most ruthless cruelty.

Turning from the melancholy contemplation of the "dark ages"—dark as well from the density of ignorance as from

the deadness of conscience and feeling—it is well for us to remember that the first tolerant monarch of Europe was the Emperor Solyman Kanouni—who flourished from 1520 to 1566*—of the race of the Ottoman Turks (of Osmanli), a people, before their degradation, singular for the predominance of their moral over their intellectual qualities. It was the large, fearless, and truth-loving heart that was the first to feel and dare to act on the true principles of toleration, before the acutest intellects of Europe or Asia had demonstrated their wisdom. The Christian "rayas" enjoyed, under their Mussulman ruler, a security and a religious freedom elsewhere unknown in Europe. The success of this impartial justice as a question of policy was palpable. His wisdom as a legislator was long acknowledged. We see no reason to admit that the abandonment of this noble policy, as the empire itself declined, was owing to a gradual relapse into ignorance; but rather attribute the return of ignorance to the decay of the vital moral principle of justice which had been so manifestly predominant in one who may well claim to be considered one of the most enlightened potentates of the sixteenth century.

Or, take the case of France, for which under Louis XIV. M. Guizot claims, by "the common consent of mankind," the proud title of the most civilized nation in the world—for that France, in which all the seeds were sown and fast germinating, which brought forth their natural and inevitable fruit in the fearful horrors of the revolution. It was not France, but a privileged class in France, who, by ignoring the major part of their duties, could so devote all their time and energies to self-indulgent and luxurious intellectual cultivation, as to give them a specious claim to so honourable a distinction, which can only be admitted by those who fail to perceive at what cost it was attained, and how certain was

* See "History of the Ottoman Turks," by E. S. Creasy, vol. i. latter part of cap. 10.

the destruction involved by the wilful neglect of so large a part of the duties of humanity.

We regard, then, the moral sensations as the great ruling and controlling power. With these in healthy action, the mind urged by the sense of duty, pressed by realizing the weight of responsibility, will be impelled by the strongest motives to the cultivation of those intellectual faculties which can enlighten and inform the understanding, and give—not power to the will—but power which the strong will desires to obtain, and which the will, inspired by the love of truth, will strive rightly to direct.

To deny that this integrity of purpose is one of the most efficient springs of noble action is to contradict the experience of the world. True it is that some great apparent exceptions can be adduced, as we have already admitted; but even of such it may be urged that their ignorance and error belonged to their age: abstract their virtue, thus neutralized, and we have simply power, which in itself is not evil. Despite all such difficulties and exceptions, we cannot doubt that the love of truth, the desire, "not that truth should be on our side, but that we should be on the side of truth," should be the ruling power; and this, the vitality of feeling, is the source and spring of all true morals, as distinguished from ethics, the theories only of morality.

We well know that the intellect can appreciate this love of truth, that ignorance may be compelled ofttimes to cry, what is truth? and knowledge can direct it to broad and ample fields for the discriminating exercise of the highest duty; but will the intellect alone take this high direction? Is not life short, and truth hard to find? Are not good and evil mixed in too tangled a skein? Why encounter all the labour of too arduous a task? Let us choose some congenial occupation that shall pleasantly employ our faculties, and leave the rest to the chances of a future, of which we have no certain know-

ledge. Can unaided intellect take a higher flight than this? Has it, we may ask, ever done so? Have the mightiest intellects of the philosophers of old even set themselves fairly to the question of duty, or attempted to grapple with the difficulties of raising even their immediate countrymen? The priceless treasures of knowledge were for the chosen few. The wise man was to come out from the common herd. Philosophy was not to raise mankind, but to elevate man above humanity. Is not this choosing the congenial occupation rather than the nobler duty. Sensuality, whether in its grosser or more refined modifications, is but one form of that luxury which enervates especially the moral part of our nature. No philosophy can be adequate for the wants of mankind which abstracts alike its reasonings and its sympathies from their actual condition, and with a vain-glorious self-indulgence ignores the meaner necessities of life, throwing the burden of them on a subservient class, whose continuance in ignorance can alone secure their subordination. It may raise some few men in, or rather out of, a society; but it cannot raise society. The foundation is too narrow. When "to the poor the Gospel was preached," we were first taught the basis on which alone a people, and not merely a class of the people, can be raised in the scale of civilization.

The intellect can, indeed, show how the way of truth is the more excellent way; but this does not prove that the attainment of truth is referable only to intellectual operations. One who would show that a certain set of phenomena were referable to the great law of gravitation elucidated by Newton, would never dream of bringing that forward as a proof of his capacity to have been the discoverer of that law. Neither can the fact that the intellect can show the perfection of moral truth prove that our knowledge of it comes, *à posteriori*, from our own reason. For while moral knowledge has been stationary, we have never reached *that* distant light in the

horizon—morals, the realization of that knowledge in the body politic, have been eminently variable, which surely indicates that there is another and higher life than that of the intellect—one in which God has never left Himself without a witness in this world, and for the enlightenment of which a revelation of eternal truths has been made. Let not the question be argued as though these truths were first ordained at the time when they were thus revealed, or as though He who made man were not also, from the beginning, the Author of all those principles by which mankind is governed.

There can be no difference between truths revealed (and coming to us *à priori*) and truths discovered by science (and received by us *à posteriori*). Believing fully in the one, we cannot dread the investigations of the other, though the imperfect inductions of the latter may apparently contradict the former. But it is God's truth alone regarding which we may feel this confidence, not man's interpretations of it, which must partake of the fallibility of our nature. Scholastic ethics, priestcrafts of various kinds and degrees, which have in all ages obscured knowledge, deadened feeling, and misinterpreted religion—the bond between man and his Maker, are not to be confounded with the vitality of the moral sentiments.

We conceive, then, that the true moral feeling compels the exercise of the intellectual faculties, which are the only means by which it can operate. With total ignorance the mind can do nothing—as, in total darkness, those who can see are no better than the blind—the difference is not apparent till some light be given; and the simile is the more true in that both the mental and physical vision are especially fallible and erring when the light is but dim and uncertain, or may be dazzled and overwhelmed by too great a refulgence. We take the moral to stand to the intellectual in a somewhat

similar relation as the latter does to the material; and much as we may endeavour to abstract the higher from the lower, they will still be mutually dependent. To take an example. Could the mathematical conception of a line have been evolved from the pure intellect? or was it not rather abstracted from the idea of a material line palpable to the senses? Such abstract idea, derived from the perception of matter, but not subject to the laws of matter, being essential to the elaboration of purely intellectual science; so we may conceive of the moral part of our nature as dependent in some such manner on the intellectual, yet governed by impulses higher than the mere intellect can impart, which alone can affect the conscience, and make a man truly love and practise the highest moral virtues—patience, faith, courage, fortitude, devotion, charity.

True it is that we cannot trace the origin, assign the limits, or define the extent of the moral feelings, or explain the mode of their operation. Still less are we able to doubt that these are the great powers by which man moves onwards; that they are not derived from—though they may perhaps be through—the intellect, and that their vitality bears no relation to the activity of the intellect, even when employed directly on theories of morals. It is beyond the scope of the present essay to pursue the subject farther. But we cannot treat of the "resources of a nation" without some allusion to that power by which our resources, both intellectual and material, are controlled, or conclude an essay on the division of labour without reference to those principles on the vitality of which we depend to overcome the segregating tendencies of selfishness, which lead to such an infinity of waste of both mental and physical energies. As we feel "we are greater than we know," so our faith must and does extend beyond the limits the intellect can grasp, though both the one and the other partake of that intermittent character and liability

to error which is a condition of our nature. "Knowledge comes, but wisdom lingers;" and so while every true man will rejoice in the extension of the fields of knowledge and of the power which knowledge affords, he will be ever urged by the feeling of the responsibility resting with the present age, that these new and mighty forces shall be rightly used: that all, even the weakest, who will join, may join in the onward march, and that all in their several degree may share in the fruits of a nation's united labour.

We have thus endeavoured to bring to mind, the infinite variety of the divisions of labour necessary to enable a community to advance, or maintain its ground, or even to exist at all in a high state of civilization; that these divisions are not merely applicable to material objects and the mechanical contrivances designed more immediately for their production, but that mutual co-operation is equally indispensable for success in all, even the most purely intellectual pursuits, having any direct relation to the material world. The investigation, therefore, of the principles by which the distribution and subordination of labour are governed is of the highest importance. We say "*are governed*," rather than *should be* governed, because the true object of all inquiries into the subject must be the discovery of natural laws, by which both society, as a whole, and every individual composing it, are alike controlled; and the just, simple, and intelligible expression of these principles should be the aim of all human laws.

We have, also, strongly insisted upon the paramount importance of the vitality of moral feelings, as essential to that right direction of our energies from which alone we can obtain beneficial results. It is evident that, in a matter so personal, we cannot avail ourselves of a division of labour in any similar way to that which is so applicable to the attainment of material objects, or the successful prosecution of

intellectual studies; and we incline to the belief that the intellect is unable fully to comprehend the springs of action which have their origin in the moral sense, though it can perceive and appreciate the effects resulting from them. Thus we cannot account for those sympathies which, whether for good or evil, unquestionably exercise an influence, greater and more direct than knowledge, on the moral feelings. The way in which a mixed assemblage will sometimes mutually excite each other, and act in a manner at utter variance with all reason, is sufficiently strange; yet in such instances the causes are very mixed and not very recondite: partly the lower passions are brought into play; hope or fear, or desire of gain or advantage. Then, although men may not exactly wish to be deceived, they often find it very pleasant to be so, and mutually gratify each other; but the essential peculiarity of such assemblages is the absence of all feeling of personal responsibility, and the consequent license given to expression of opinion and argument, or even to action. Serious as are the consequences which sometimes arise from the agitation of such concourses, there is, in fact, very little mental action in them of any kind. The danger arises from the mere blind surging of physical force casually, and, perhaps, unconsciously increased, while the bonds both of morals and reason are neglected and relaxed.

Far different from this is the silent and inscrutable action of mind upon mind by the awakening of a deep-felt sympathy, whether aroused by some record of long-past ages seen for the first time, or the realization of a truth long known but never before felt, which nerves the whole being of the man to a sense of duty; not from the knowledge that by so acting the exertions of his life—whether leading *him* to honour or dishonour, ease and dignities or ceaseless toil and care—will tend to the benefit of a society on whose welfare he has perchance never before bestowed a serious

thought—but from the deep faith that there is a higher destiny for man than that which he can compass within the limits of his understanding. Whether this faith be of slow growth or suddenly inspired, we know and feel and must recognise its influence.

It is indeed true that history conveys a more exact record of the acquisitions of the intellect in past ages than of the triumphs achieved by moral power. The discoveries of our forefathers, so far as they are preserved to us, constitute, so to speak, a legacy of realized wealth in a definite form, by which the riches of each succeeding generation are increased with little or no trouble or exertion of its own.

It is not so with the examples of moral virtue handed down to us. In some degree they may, and doubtless do, excite sympathy and a noble emulation among a few, but each age brings its peculiar duties, and, at least, as much exertion is required to surmount the difficulties of our own as of any previous generation. So it must be: so we must progress, step by step, till the highest standard of moral truth has been fully realized in the practice of mankind.

Whether there has been any permanent improvement in the moral and intellectual faculties of man we cannot positively assert, and still less would venture absolutely to deny; but physiological research gives us strong reason to suppose that they are enlarged, not indeed by the mere lapse of time, but by continuous cultivation. Time, indeed, does nothing. Results are produced only by the activity of the causes effecting them, which are in no way commensurable with the mere lapse of time. History would lead us to expect that their growth should be intermittent and dependent on their condition, for nations decay as well as advance. As Mr. J. S. Mill has so well shown, the powers necessary for the preservation of order are the same, only in less degree, as those adequate to insure progress. And the decline of these

powers below a certain point will obviously result in the actual deterioration of society, a calamity which we cannot suppose it possible should overtake a nation, but by the decay of its moral vigour permitting the mind to rest satisfied merely with the acquired knowledge of the past, ignoring or evading the enlarged requirements of the present. Or the selfish tendencies of our nature, no longer controlled by higher principles, may leave the intellect to waste itself in blind and futile struggles, every man striving against his fellow the more recklessly and hopelessly as the common ruin impending over all becomes palpable.

The resources of a nation can be utilised only by the labour of its people, and on the just organization of its labour its prosperity depends. That this organization should be carried to the highest perfection, it is necessary that it should be spontaneous;—that men's energies may not be wasted in mutually watching against each other, but directed with unimpaired vigour to the work on which they are occupied. We need something more than the dead letter of the law to attain this. Enlightened views of self-interest will not carry us far, for the contemplation of mere self-interest alone will afford no enlightenment, inasmuch as it is of his own interest that each man is prone to think; indeed, the very instinct of self-preservation compels him to do so until a feeling of mutual trust can be engendered.

Something more vital is required that shall move men's hearts towards each other, and bring each one "to love his neighbour as himself." On this, the "golden rule" of the Christian faith, true prosperity and progress depend; and in the present age the universal acceptance of this precept on all sides is more than ever requisite. We want the will and desire to work together, to shake off the moral torpor of selfishness, and rouse the energies to aim at higher, but more remote and less personal objects.

No class, but those wilfully degraded by their own persistent folly and vice, must be excluded from the full benefits of civilization. No privileges can be maintained that are shown to stand in the way of the interests of society.

It is not our noble, or our wealthy, or our intellectual class, that is alone to advance, but all true men must be knit together for the good of their commonwealth.

II.

ON NATIONAL CHARACTERISTICS, AND OUR NATIONAL DEVELOPMENT.

The Limit and Use of Historical Criticism—Comparison of French and English—Ethnology—Nationalities extant from the earliest times recorded.

Sketch of the Origin and Social Growth of the English Nation, and Development of its Liberties—Contrast afforded by our Fellow-subjects in India, and Observation on Despotism.

Argument that our Political Relations are the Reflection of Real Changes in the Actual Condition of Society, and that Progress has resulted from the Vitality of Moral Principles.

II.

ON NATIONAL CHARACTERISTICS AND OUR NATIONAL DEVELOPMENT.

THE history of the growth of society is a topic of so much interest that we cannot entirely pass it over, though our limits only permit us very generally to refer to it; but we may, at the commencement, draw a distinction between the great general laws by which the social relations of all mankind are governed, and the expression of those laws as conceived—more or less completely—by communities which have grown up under different conditions. History does indeed illustrate, but has done little, directly, to establish the former, but is of the greatest utility in enabling us to comprehend the latter. A want of discrimination between these two branches of research leads to no little confusion.

In investigating the great laws by which the Almighty governs the world and all things in it, one of the most efficient aids to the elucidation of truth is the judicious use of hypotheses; and in framing them, the great object is to embrace, in the generalizations on which they rest, *all* that is known on the subject under consideration. The work is not one of construction. Man is not inventing the creation, but in various times and ways has discovered some of the general laws imposed by the Creator, as conditions under which we exist as sentient beings. It matters nothing how or when or whence the data were obtained: the only

question is, Are they true? In social problems it is extremely convenient—indeed, almost indispensable—to generalize the primary wants and conditions of men. We may consider their material wants as simply food, clothing, and shelter, without complicating the question by any reference to the numerous ways and degrees in which these wants may be satisfied; or, in like manner, may regard them as governors and governed, producers and consumers, citizens and cultivators, warlike and peaceful, and so on; and are thus better able to test and examine theories, and perceive, elucidate, and apply great general laws affecting men in these relations and conditions. Now, with such hypotheses as these, it is evident that the mere records of history, of whatever kind, can have nothing to do, except, indeed, by way of illustration; but it has so happened that the simplicity thus assumed (though, in reality, apparently assumed only) has been often referred to a supposed primitive age of innocence, when men's wants were few and their passions under better control—a notion to which history gives no support, and which may fairly be attacked and exploded by historical criticism: but the supposition itself forms no essential part whatever of such hypotheses as those to which we allude. They are freed only from a false association of ideas, which confused, without in any way supporting them. It were as vain to attempt to measure the extent of our knowledge by the history of our discoveries, as to look for the theory of the law of storms in the history of navigation.

It is widely different, however, when we come to consider the way in which various nations have been affected by the operation of general laws, of which they, and haply we ourselves also, are ignorant. The philosophy of history may, indeed, derive most useful lessons from records describing only the constant aberrations of men, and their blind

struggles against natural laws, which they have been very slow to perceive and to obey; but our present object is chiefly to consider the modifications which have been impressed on our own, as compared with other, races of men, by the circumstances under which our nation was formed and has been developed: and no sources should be neglected from which information can be derived on a subject so important, treating, as it does, of those qualities in man which are the most essentially distinctive.

If we compare, for example, our own national character with that of our nearest neighbours—traditionally our foes, and now, we trust, our rivals only in true progress and civilization—we shall find differences of a peculiar and very deep-seated character. The ends we both desire, the great aims of national life, are, perhaps, more similar than those of any other two nations. We profess the same love of liberty, the same regard for "order and progress," the same high feeling of national honour. Recent experience shows a similar energy in industrial pursuits. In art, science, and philosophy, we are rivals and coadjutors. The characteristic difference is in our *method* of thought and action. The French are as instinctively deductive as we are inductive reasoners. Descartes was as much the national type of French, as Bacon of English, thought. The great influence exercised by the works of both on their countrymen respectively, may almost be considered as the reflex effect of the fullest expression of the national mind. The same characteristic differences are seen in the greatest as in the most ordinary concerns—in the government of the nation or the regulation of private enterprise. They frame systems, and endeavour to work up to them. Our systems are often merely the recognition of customs and habits, which have been found, or have become, convenient in practice. Without any assumption of superiority, we may say of the French, as compared

with ourselves, that their theories are better than their practice; and of ourselves, as compared with them, that our practice is far better than our theories; and we must confess that, in many cases, it has very much need to be so.

This difference in method renders it difficult for one nation fully to enter into the workings of the other, and imposes an obstacle to too intimate a co-operation in detail. Both parties may desire the same thing, but "naturally" set about different ways of attaining it. They get on admirably together side by side, and can work with great efficiency and harmony as long as each party is sufficiently free to follow its own method. The truth of this, we are confident, will be readily recognised by those whose practical experiences bear upon the subject.

Inconvenient as this difference may sometimes be, true progress and civilization probably gain by great questions being thus approached, as it were, from different sides. The experiments—whether on social or other great questions—of the one nation are not mere repetitions of those of the other; but the common experience of the world is enriched by trials essayed and carried out under essentially different conditions, and the highest general truths may thus be more speedily and certainly established.

Such diversities, therefore, are not to be regarded as evils in the present state of the world's progress. They cause mischief only when the fact of their existence is forgotten or ignored; but, when properly recognised and understood, should result in mutual benefit and a higher order of co-operation.

But our limits compel us to confine our attention chiefly to the characteristics of our own mixed race. As far back as our investigations can be extended, we find the component elements of it displaying most distinctly marked features of nationality; and at the present day, after one thousand years of a common language and religion, common laws, govern-

ment, and institutions, traces can still be discerned of these same distinctive characteristics among the more stationary portion even of the (so-called) Anglo-Saxon population of this island.

There is a disposition among some men to disparage ethnological researches. That the theories and conclusions of some inquirers in this field are very much broader than their premises, we shall not attempt to deny, but it is not the less one in which alone we can hope to acquire some information on many most interesting questions. The earliest records and traditions exhibit races and nations which have diverged from each other in different degrees, while traces are found of their contact and mutual influence at distant periods and in remote localities. Philological investigations may demonstrate connexions of which history gives no account, but by the clue thus afforded history may first become intelligible. To draw an example, comparatively recent, from the annals of Scotland. They supply no direct and adequate reason for the constant turbulence of the country up to the fifteenth or even the sixteenth century, and the want of cohesion among the population of the southern and eastern part of the country, although they were advanced in the scale of civilization far beyond the merely predatory tribes of the Highlands. But the difficulty vanishes when we look to the mixed origin of the nation: we find Fresians, Flemings, Danes, Normans, Norwegians—Teutonic and Scandinavian races, distinct though cognate, thrown into close contiguity and into political relation with each other; too little akin readily to cohere into one nation, though not so radically diverse as to render their fusion impossible. The patriarchal feeling so potent among the Celtic tribes never seems to have had any influence on these races, and difference of origin was probably the reason why the distinction of families was so marked, and so well and so long maintained.

We may not be able to define what constitutes a "nationality," or account for the affinities of race, any better than we can explain the common sympathies of kindred. We are not called upon to determine whether there are differences of this nature which are wholly ineradicable: if we believe all men to have sprung from one type, the converse, that they are all equally capable of returning to it, has an appearance of probability; but as regards nations, at all events, the possible end is likely to prove as remote as the assumed beginning.

We do not doubt that these diversities have been the result of natural causes, or suppose that causes operating in remote ages could have produced effects essentially different from those to which they would give rise in our own times. On the contrary, to a certain extent, we may infer causes of which no trace comes down to us in history or tradition from the effects which we see presented to us in their earliest records. There is, no doubt, a great temptation to set aside the dim and uncertain accounts of an illiterate period. Facts are evidently distorted, or loosely described, and it is often impossible to verify or reconcile them; while the clearer records of later times not only make a far more vivid impression on the mind, but afford information much more readily applicable to the affairs of the present age. But truth must not suffer for the convenience of exact theories. It is not to be assumed that the life and growth of a people commence with their written history, or that a comparison of the merits of the early records of different nations or tribes affords any just measure of their respective position in the social scale. Some races leave their traces on the solid rock in the hewn stone of massive temples. Some leave their impress on the language, manners, laws, and customs of living men. The evidence may be as real, though harder to read, than that of the more material record, and we cannot afford to reject

any means by which light can be thrown on the earlier stages of the development of "nationality."

The great causes which have given the first and most permanent bias to the character of a people may be, in most cases probably are, beyond the reach of exact inquiry; but they are not, on this account, of the less essential importance; and we must study the characteristics of the distinctly marked nations which we find existing in full vigour in the earliest times of which we have any knowledge, to enable us to assign their due weight, and their due weight only, to those causes which we more clearly see at work in nearer epochs. Ostensible causes, which operate most powerfully on some individuals or communities, will have a very slight effect upon others, or the effect exhibited for the moment will be transient, and quickly pass away entirely: the reason of the difference being, not in the potency of the cause, but in the character, produced by causes far more complex and remote, of those exposed to its influence.

The history which chiefly concerns us is that of the people who constitute our nation, not merely that of the events which have taken place on our native soil. A very cursory glance will suggest some strong reason for the intense feeling of individuality and independence, controlled by a genuine love of justice and fair play, which are the best and most deeply rooted of the characteristics of the true manhood of our country.

The obscurity of early British records probably veils the darkest passage in our national life. We know that when the Romans left England, in the fifth century, it was peopled by various Celtic tribes. Within two centuries we find Saxons, and others of Teutonic origin, in some measure Christianized

and civilized; but of the former population we can discover hardly a trace, except in the extremity of the south-west and in Wales. These ruthless conquerors suffered in their turn, but in less degree, from the incursions of the Danes; but notwithstanding the warlike character of both, it is evident that the Scandinavian and Teutonic races had amalgamated to a very considerable extent; and by the commencement of the eleventh century, although national jealousies were still rife, they appear rather as accessories to political struggles. Of the numerous elements forming the so-called Anglo-Saxon race, three—the Saxon, the Dane, and the Norwegian—are still found constituting separate and distinct nations in Europe. Others, then distinct, are now merged, there as here, with others in a common stock; but the fusion has not in any case been so extensive and so complete as in our own.

This capacity for coalescence, on equal terms, we hold to be one of the strongest proofs of the vigour and nobility of the races. It implies not only the courage and ability which achieves success, but the far higher moral qualities which can stand the severer test of occasional defeat, and, in spite of disaster and even oppression, can still assert and maintain their status as freemen, and enforce the respect of their temporary conquerors. And the valour and truth—the *virtus* of ancient and modern times combined—which on either side can so fully trust and inspire trust in a foe, is of no mean order. Something may be due to affinity, though the connexion between the Scandinavian and Teutonic races appears to be remote: something also to the equality in the inherent powers of the contending parties: there was not the absorption of the weaker into the stronger, but the mutual interchange of qualities: the original characteristics were modified, but neither destroyed nor essentially weakened. The united nation gained only strength by the fusion, and the effects of it are palpable to this day in the superior enterprise and

intelligence found in those parts of the island which received the larger infusion of the later element into their population.

Then we have the conquest by the Norman, sprung from the same Norseman as had already become a part of us, but in some measure refined and developed under other conditions, and ultimately blended in the same manner with our race.

We cannot believe that the English nation could ever have attained the position it holds without this last addition to the common stock. Long a dominant race, it were vain to expect to find our Norman nobility free from the vices and crimes into which all men fall when in possession of uncontrolled power; but if we compare them fairly with privileged classes in other (including Saxon) nations, we think it must be admitted that they deteriorated less than any other, exposed to the temptations of a similar position; and for the mixed people inhabiting this island at the beginning of the eleventh century, there is every reason to believe that the Norman was a master, at least as good as, probably better than, the nobles of their own race would have been had they possessed a like supremacy.

They, too, as most fully accepting, refining, and extending feudal law and practice, did good service to civilization in their day. Society has now so far outgrown the system, that the fragments preserved appear, and indeed generally are at best, only useless and troublesome anachronisms. It requires a strong effort of thought to carry the mind entirely away from present associations, to the earlier periods when the spoils of conquest included absolute, unqualified, and irresponsible powers, exercised as of unquestionable right, over the lives, persons, and property of the vanquished: when the corruption of simple patriarchal government—extended far beyond the modifying influences of the natural ties of family—had resulted very generally in the assumption of allodial rights by different leaders of our remoter ancestors, as they

became permanent occupiers of the soil. There was absolute dominion on the one hand, abject servitude on the other. The feudal theory substituted for absolute right, a tenure by service, to be rendered to the Suzerain for his benefit and that of the state.

Viewed in relation to anterior times, Feudality was a check and a restraint to uncontrolled power; in no way a new usurpation of rights not previously enjoyed. The privileges it retained were neither better nor worse, neither more nor less indefensible in principle, than other privileges and monopolies retained among other classes even up to the present century.

The primary idea, on which it was originally based, of honourable service and duty, as attached to the possession of property, is the germ of all true liberty and progress. However imperfect the idea of honour and duty may be, let but the true feeling be engrafted, and there is life and consequent growth in the body politic. The frequent attempts to usurp allodial rights were in accordance with the natural selfishness of human nature and that lust of power which is ever so prone to increase by indulgence, but this retrogression was never permitted. Though the serf were too feeble to make his voice heard, the duty and interest of the sovereign were ranged on his side to protect him at least from that extremity of oppression by which the realm would be weakened and impoverished.

The preposterous figment of a king ruling by "Divine right," uncontrolled, and above the Divine laws given for the government of the rest of mankind, was an idea unknown to the free Teutonic and Scandinavian races. The king was the "leader," *primus inter pares*, the man who *could* rule and preserve the state and the people. Protection on the one hand, service on the other, was no fiction in those days, but a question of pressing and immediate importance.

The law and custom of primogeniture has been strongly

condemned by some writers; but whatever may be now said regarding its observance in the present day, it is difficult even to conceive any other practice which would have tended so much to the benefit of the nation in earlier times. It was something that the welfare of the demesne or estate should be considered more than the personal interest of the family enjoying the power over it. The country was free from the incubus of an hereditary class, every member of which claimed privilege and immunity, and required subsistence without the supposed degradation of labour, while an hereditary aristocracy was preserved which formed an efficient counterpoise to regal authority. As the prejudices of race gradually wore out in the common struggles between king and baron, and in the feuds between the barons themselves, neither law nor custom imposed any impassable barrier against the fusion of the younger scions of the nobility with classes under them.

We have used the word "civilization" in the sense in which it is commonly understood, and its etymology reminds us of another way in which the feudal system in its day tended to promote, not perhaps the rapid development so much as, the permanent and wide-spread progression of society in this country. This word, as also "polity," associates the idea of progress made by organized co-operation and good and humane government with the condition of men living in cities. No reference is implied to the evils which also result from the aggregation of men in towns, but only to the good which ought to arise from, and is most easy of attainment by, such confederation, and its meaning now has reference solely to the benefits resulting from that high culture which, as we have endeavoured to show, men can only acquire by mutual co-operation. "Savage," "pagan," and "rustic," when used in an unfavourable sense, imply segregation, and a consequent incapacity for moral or intellectual improvement.

Feudal law introduced organization *into the country.* The system was based on the possession of land, not on the government or founding of cities. European history, indeed, shows the country lording it over the towns, and in France, under the *ancien régime,* civil were almost entirely subordinated to assumed seignoral rights. But the problem there was not worked out. Seignoral usurpations were unbounded, seignoral duties utterly neglected. The civilization of the Court—viewing it as part of the broad social question—was a glittering polish on the surface, while society was rotten at the core; an imposing structure, of which the foundation had decayed away; and the end was destruction.

In this kingdom, however, the feudal organization of the country, and the "civil" organization of the towns, were ere long at work together, greatly extending the field, and widening the basis of our prosperity; while the active rivalry between the two worked well for those as yet too low in the scale to be immediately or ostensibly interested in the issue of the contention.

Such were the elements of our society, as yet crude and but partially welded together under the early Norman kings.

In Scotland there was a similar aggregation of races, with the Scandinavian element probably in far larger proportion, especially on the north-eastern coast, and with fewer influences to control the independent working of rival parties. The power of the crown was consequently far weaker, the barons were far more turbulent than in the southern portion of the island; their quarrels for long more exclusively personal, and less productive of permanent results.

Our limits forbid us to allude to the Celtic race, which has always formed a comparatively distinct element in these islands, and confine us to those who have been merged into the common stock, which so largely preponderates in and gives its character to the English nation. It has little in

common with the Celtic tribes left in Britain by the Romans, and the annals of the Heptarchy are not more essential to our history than those of the Dane and the Norseman, whose natures were being moulded under other conditions and in different spheres, for the part which they were destined eventually to take in it.

With Saxon and Dane alike under the yoke of the Norman, we enter on a long era of social change and conflict. The first century after the date of the Conquest saw the dominant race settled as an English nobility, grievously, it may be, oppressing the vanquished, fearfully avenging and ruthlessly crushing out the resistance they encountered, especially from their kindred races in Northumbria, but beginning to draw their real strength and support from our soil. In the second, the Crusades gave new direction to men's thoughts, new outlets for their courage and enterprise, new inlets to knowledge and civilization: the barons becoming weaker in the country from whence they came, and stronger in that of their adoption, extort the Magna Charta from their Suzerain, but the commencement of the third shows the first Edward holding the clergy and nobles in check by the aid of the rising powers of the third estate of the realm, and ere its close English is recognised, even in the high courts of law, as the national language. The fourth saw the English Court under Henry V. held at Paris, but this country was saved from a conquest which might for a while have practically reduced it to the condition of a province, more certainly and effectually by the civil wars of the Roses—which absorbed at home all the power and energies of the more warlike and aggressive, whose pride or interests might have led them to prolong the contest abroad—than by the patriotic successes achieved by the French people roused to new energy under Joan of Arc. Strongly welded together as the English people had become, it would have been they, not merely their quondam lords,

who would have been the conquerors; but nevertheless, an acquisition so magnificent would have been fraught with much danger to their rising liberties.

Yet a hundred years more, bringing us down to the middle of the sixteenth century, and the operation of causes long noiselessly at work is made manifest in still more important results.

Amidst the continuous turmoil of foreign wars and domestic strife, of contests as manfully waged for the triumphs of peace as the victories of war, the nation had steadily advanced in prosperity and civilization, and what is most worthy of regard is the breadth and universality of the progress.

Fierce jealousies and bitter rivalries are indeed on record between baron and burgher, as the latter gradually increased in power, and the former found his supremacy successfully contested; and viewing the change gradually brought about in their relative positions broadly and fully, we find that it accords in the main with the actual service rendered by each respectively to the Commonwealth under its changing circstances. The work of the soldier had ceased to be all-important, not that his duties had become less, but that the fields of productive industry had been so greatly enlarged.

Architecture especially, and the Arts flourished; and our language was already enriched by a literature of its own. The trading guilds, having steadily gained wealth by their skill and industry at home, had begun to extend their commerce abroad, and were shortly to rival and surpass the first pioneers to the gorgeous East, and the discoverers of the New World.

And the social changes were even deeper. Moral causes secretly at work had imperceptibly led to the gradual extinction of villenage; and even those, too poor and weak to take an ostensible part in the struggles of their more favoured countrymen, obtained the blessings of liberty, and England became truly and without reserve a nation of freemen.

Liberty of thought and liberty of action had advanced together; but it would be as unjust as ungrateful to forget the part taken by the Church in early ages. Recruiting its ranks from all sides, and without distinction of race, its sympathies, guided by some measure of Christian light and spirit, were with the oppressed rather than with the oppressors; while in some sense it was the rival of the latter, both for favour and power at Court, and influence and property in the country. The mutual rivalry, at times even bitter hostility, of the regular and secular clergy, was at the same time the best check against either obtaining too powerful an ascendancy over the minds of men; it must also have retarded in some degree the progress of corruption, and prevented the premature downfall of the Romish hierarchy, before the nation was fitted to receive a purer and less dogmatic faith, without relapsing into universal unbelief and religious anarchy. But while the people had rapidly advanced, the Church, so far from keeping pace with it, had actually, in many most essential respects, degraded woefully both in doctrine and practice. It was no mere caprice of a headstrong Sovereign thwarted in his desires that brought about the Reformation in England. Had not Henry VIII. been strongly supported in his rebellion against Papal authority by the sense of the nation, his contumacy must have ended sooner or later by his return to the bosom of a Church ever wise in its generation, and politic in its dealings with its more powerful sons. But his people generally to the fullest extent adopted and confirmed this act of their Sovereign, however strongly they resisted his own usurpations of spiritual authority. Nor were the claims of the poor forgotten, after the suppression of the religious houses, and the alienation of their revenues. Their condition more especially occupied the attention of the civil power; and in the middle of the reign of Queen Elizabeth the law was first enacted which

made property directly liable for the maintenance of the destitute, justly recognising the duty as one of national obligation, not to be left to the casual and unequal exertions of individuals. Property was, with equal justice, protected on the other hand by stringent sumptuary laws against "valiant" beggars, and those who wilfully withheld their labour from the State. The sound principles thus established have ever since been recognised, and when the rough means provided to guard against abuses became unsuitable to the age and fell into disuse, the necessity of imposing tests as efficient was quickly demonstrated.

Thus had the nation advanced. Our manners and customs, eminently the spontaneous growth of the natural causes so actively at work within us. Our institutions, and in some measure our laws, framed on no system, often the result of compromise illogical and incomprehensible to the stranger, but marking to ourselves the boundaries of the power of the several estates of the realm; each charged with functions essential to all; none independent of control, but each mutually dependent with the others to carry on the duties of Government, and secure the welfare of the Commonwealth. The progress of this epoch culminated at the end of this (the sixteenth) century. Under the prosperous reign of Queen Elizabeth the Reformation was fully established, and the nation freed from authoritative domination by foreign spiritual power, though not yet from foreign intrigues, kept up by some who were still anxious to renew in its fullest inveteracy a contest so lately waged to the death. Bacon gave to the world a philosophy specially adapted to the habits and method of English thought, and which has contributed so much to English advancement. Our cities and fields, arms and arts, agriculture and trade, both foreign and domestic, prospered more and more. Our navies, daring in peace as in war, carried our flag over the widely extended

boundaries of the known world, and both high and low-born "adventurers" freely competed for the prizes of fortune and the favour of their Sovereign. The freedom, the strength, and the loyalty of the Constitution and people of England were the envy and admiration of Europe, and with reason —prosperity had never before been built up on so broad a foundation.

If we look back for a moment at the spirit with which the long and varied conflicts ending in such results were carried on, we can no longer wonder at the vigorous and manly virtues developed in the race. We see constantly king, barons, and commons, each striving to extend their own independence and privileges—all hardly pressed in turn; but the tendency has always been, not for the stronger to unite to destroy the weakest, but for the weaker to combine to curb the strongest. The nobles never became a mere Court party. The intrigues of politics absorbed some of their number; but their true strength lay, as they well knew, in the country, on their own estates, and among their own tenantry. The burghers have also stoutly and, in the end, successfully, resisted all attempts either by the Crown or barons to lay them permanently under tribute. In later times, indeed, large sums were paid, but not so much to secure the favour of any superior power as to obtain peculiar exclusive privileges.

The progress of this rising and increasing class was not impeded by any vagueness or exaggeration in the claims set forward by them. They stood up for their rights and liberties, and their ideas of them were of a most practical and reasonable kind, measured according to the knowledge of the age. They troubled themselves little about abstract notions, but one idea they very strongly held to—viz. that they should be free to do for themselves that which they well knew they could do for themselves: they persistently refused

to be protected against their wills. They truly considered liberty as a condition so essential to their life and well-being, that no sacrifice was too great to preserve or extend it, as its bounds became too narrow for their natural growth and development; but they knew and felt that it was *in* freedom, but not *by* freedom, that they would establish their prosperity. They planted no "trees of liberty;" but with a truer instinct the Englishman's vaunt has been of that soil of freedom in which all true virtues could flourish and attain the highest perfection. The "tree" of the burghers was their municipality, its life their own sturdy activity, strong will, and vigorous common sense: its nutriment was drawn from the wealth created by their craftsmen and traders—by the effective organization of industry self-controlled and self-supporting.

It is probable that our liberties were extended at this period quite as far as they were consistent with the true and permanent interests of the nation, for independence was as yet unknown as a general ruling principle. It was *their own* freedom from control that baron and burgher alike sought to attain, and the noble struggle for independence was associated with an ignoble grasping for privilege. Moreover, public opinion and public spirit were still too feeble a security to individual enterprise on the one hand, or for the safety of the community on the other. The organization, in some degree necessarily exclusive, of the burgh guilds and trading companies, was still requisite both for their own protection and for the control it enabled them to enforce over their members. While buccaneering was a way of acquiring fortune, tolerated if not approved, it would have been premature, to say the least of it, to talk of free trade.

In like manner toleration was hardly known or practised. A beaten party might, indeed, accept it as a defeated army might submit to favourable terms of capitulation. Sufferers

would cry out against the cruelty of persecution, but mainly on the ground that it was iniquitous to molest them who were in the right, whilst their adversaries were wickedly in the wrong.

Great as was the progress which had been made, there were yet many problems to be worked out, many more important lessons to be learned, ere our liberties could be beneficially extended; for to extend liberty, or the rights of self-government, beyond the powers of self-control, leads only to feebleness and anarchy, and the waste of energy in objectless conflicts—a state far less favourable to progress than the strong pressure of a power with which, at the worst, definite issues can be joined, representing in reality, if not in form, the growing wants and strength of the governed. Our national life owes much to the honest and thorough-going spirit with which in the main our social contests have been carried on. The headstrong arbitrary temper of the Tudors was one which the nation could meet and understand, though the abuse of the royal prerogative, stretched to the utmost, might well-nigh bring the Crown into open collision with the other estates of the realm. Yet still the last and not the least powerful and imperious of the race knew how to sustain defeat, even in the full tide of national and political success. Queen Elizabeth, victorious in the parliamentary struggles of forty years, could yet withdraw her pretensions in the face of the determined remonstrances of an indignant nation; and, without sacrificing her dignity, could draw back the hearts of her people by thanking her Commons "for their tender care of the general weal," in imposing an absolute check on her abuse of personal prerogative; and the grievance complained of—that of a profuse granting of monopolies for the reward of Court services—was abolished in good faith, and without reservation.*

* Macaulay's History of England, vol. i. cap. i. page 63.

Far different was it with the race of monarchs which followed. Blinded by the mad and impious figment that their rights as sovereigns were different in kind, as well as in degree, from those of the other estates of the realm; that their prerogatives were of a higher and more divine obligation than the common law of truth, by which men, in all relations of life, are bound together; we find these traitorous representatives of the highest authority in the land ever ready to take the pay of a foreign potentate, to aid them while attempting to usurp the rights and liberties of the peers and commons of England, adding to the betrayal of the Commonwealth abroad deceit and falsehood in the contests waged at home. That people, who could bear defeat, and long and patiently wait for the redress of wrong, could make no terms with those who held themselves bound by no compact; and the nation, twice outraged and once forgiving, utterly cast out this false and most unkingly race of kings from among them.

It is needless to refer to the last great civil and religious conflicts which again shook society to its foundation, or to recall how nobly England, under the Lord Protector, regained her prestige abroad; how the excesses of the Puritans led a thoughtless nation to welcome back with enthusiasm a monarch, untaught by the lessons of experience, only to discover and retrieve their error as best they might, ere a generation had passed away.

What might have been the course of our history, or how the growth of our liberties might have continued progressively under wise and politic sovereigns, it were vain to speculate. Accepting the Revolution as an accomplished fact, it was, probably, the best that could have happened for the country, that a prince was found to fill the throne, too great, as the head of the great Protestant confederation in Europe, to suffer the crown to sink into contempt at home

or abroad, who yet left his subjects substantially to work out the reconstruction of their constitution in their own way.

To the great changes made within the last century, we must revert hereafter. Enough, we trust, has been brought forward to establish our point, and bring forcibly to mind the peculiar conditions under which our nation was originally formed and its character subsequently developed, and induce the recognition of the most important fact, that the methods natural to us may be wholly unsuited to those whose origin and history in no way resemble our own.

Let us take, as a contrast, the inhabitants of Bengal, from time immemorial the rich and unresisting prey of every conqueror; or, indeed, our Hindoo fellow-subjects generally. For ages, habituated to meet force with guile, to it they resort as their "natural" defence against arbitrary, or even unwelcome, authority; nay, more, as their means of aggression, veiled most frequently by a suavity, and even dignity of manner, found only in the highest ranks in the West, until their victim is wholly in their power. A guile, carried out with so profound and wily a subtlety, as to baffle the English mind, and to be met only by a perfect integrity and simplicity of purpose, as incomprehensible to their intellects. Their ideas of the duty and functions of government also vary widely from our own. They willingly render far more implicit obedience, but look for far more paternal care and protection. All the sturdy, self-reliant Englishman desires is a fair field on which to fight his own battles, or to plead his own cause, and to which his opponent can be summoned to meet him on equal terms. To tell a poor Hindoo that the court is open to him in which he may assert his own rights against a powerful neighbour who, it may be, can bring spiritual as well as temporal powers to bear against him, is, according to his perceptions, to refuse him the justice which he craves may be rendered for him against his too powerful

adversary by the "protector of the poor." The primary ideas of justice are essentially the same among all men; but the ideas of the reciprocal obligations subsisting between different classes, or between the ruler and the governed, may and do vary to a very great extent. Independence is self-supporting. Protection and subservience are correlatives, and their degradation is to tyranny on the one hand, and servility so abject on the other, that generations are required before the desire can be induced to aspire to the privileges and responsibilities of independence. Despotisms, based on the analogies of patriarchal rights, whether prosperous or unhappy, benignant or oppressive, foreign or domestic, tend inevitably to produce such a state of opinion. If the ruler shower down benefits, he is praised and blessed; if he be unjust and extortionate, the secret curses, it may be the vengeance of the sufferers, follow him; but it is still ever to the ruler, not to themselves, that they look for their prosperity or adversity.

Between the two extremes of absolutely free and despotic government, numberless modifications exist; in all alike, human and imperfect nature has to be dealt with. The former is good only in so far as it expresses a real independence and power of self-control; the latter tends inevitably to keep men, socially, in a state of pupilage and childhood. Nevertheless, their true condition must depend, essentially, on their actual qualities and capacities. An active, brave, and intelligent people, animated with the high moral virtue best described as "public spirit," will enjoy a large share of liberty, and hold their rulers in efficient check, under the most absolute forms of government; the evil being, that in the case of great social changes, or great abuses insidiously introduced, there is much danger of issue being joined too late. The ultimate "right of revolution" is not so promptly efficient as that of timely and authori-

tative discussion; while, without public spirit and intelligence, the freest forms of government will vacillate in a fruitless alternation between oligarchy, the despotism of armed force, or anarchy. The South American republics may be cited as having afforded many illustrations of such conditions.

We shall now proceed to allude to some of the general laws which govern the growth of society, and endeavour to show how the state of our political relations is the result and the reflection of changes in the actual and relative condition of those associated together in it; and also, that our national development has been essentially owing to the vitality of the moral principles which have regulated our energies and resources.

Liberty, as we have noticed, is the condition necessary to, but not the cause of, progress. We may say loosely of liberty as of time, that it "works wonders;" but, strictly speaking, neither one nor the other are active powers in any sense whatever. In the same way, we might say of a tree that had been built up and confined from light and air by walls, that it would grow, because these obstructions had been removed. That it would languish or die altogether if its bonds could not be broken, either by external aid or internal force, is perfectly true. But light, air, soil, and all the material components needful for its growth, will not, through all time, produce a single leaf, or the smallest radicle, if the wondrous and inscrutable germ of life contained in the seed be wanting.

When industry did little more than collect the free gifts of nature for which others were forcible competitors, the warrior and protector unquestionably performed the most arduous and useful service to the community. Nothing but the most bigoted prejudice would attribute more natural

selfishness to one than to the other. The protected, in all ages, have been quite as ready to cheat the protectors out of their fair share of the common stock, as the protectors, when powerful enough, to impose hard conditions on those too weak to resist.

The supposition of anything like a formal compact between classes is pedantic and unreal; but still, there must have been some general perception of the comparative advantages and drawbacks attendant on the various occupations of different members of the same community, which would operate silently and imperceptibly, but not the less surely, by creating the desire among the more independent and enterprising to get out of the less, and into the more, favoured class.

As long as war and insecurity of life and property were the conditions under which society, feebly and imperfectly organized, actually existed, those engaged more prominently in war would, probably, not be better off, on the whole, than those engaged in the comparatively safe and peaceful occupations of the field, though, from mutual waste and the small amount of labour bestowed on production, all would be peculiarly liable to be reduced to a common destitution. The more generous and noble spirits would, certainly, be found, braving the greatest hardship and danger. The power, according to the experience of Western nations, would be with them. In the great and ancient empire of China, whose claims to a high place among civilized nations have been by no means contemptible, the workers in the arts of peace seem, on the contrary, from a very remote period, to have gained an ascendancy over those set apart for the service of the State in war. The military profession, and the positive and active virtues associated with it, appear to have been disparaged and undervalued, without, however, saving the character of the people from a strong taint of cruelty, and a reckless disregard of human life, or the

empire from periodical devastation, by internecine struggles of an inveteracy and destructiveness without parallel in European history. The West may learn something from the experience of the East.

Happily, in this country, we have but little felt, and were the first to relieve ourselves, of the curse of slavery, even in its mitigated form of serfdom. Its existence at home was, long ago, simply impossible, from the operation of natural causes; and the only effort required was to save our colonies from its degrading influences. We have also been free from the evil, more dangerous, because far more subtle, of caste. Class interests, class prejudices, and class disabilities, we have certainly had, but in very modified form, as compared with other nations. The assumption has never obtained in England, that class rights or privileges were *inherent* in the individual. No hierarchy has been able to bow down the souls of men to the belief, that it alone was the medium of communication between God and man; and to mix up in one scheme the holiest and purest feelings of our nature with the vilest earthly superstitions—the sacred laws of God's truth with the mundane inventions of its own purblind reasonings.

The evils arising from such perverted association of ideas are incalculable, both as obscuring truth at all times, and discrediting it when the system, so unequally formed, decays from the natural corruption of its base elements, or from the exposure of the falsity of the shallow dogmas forced into so unhallowed a connexion with the dictates of eternal wisdom. Pretensions of this kind, of a more or less blasphemous and preposterous nature, have, indeed, been put forward from time to time; but they have, by God's mercy, never obtained any hold on the nation, which has quickly seen through and rejected any such attempted usurpation ere it was firmly established. We have not had

either a class too low for freedom, or one which could sustain its pretensions to be above the common laws of the country.

The contest between what we may call the military and industrial classes must virtually commence as soon as the work of the former ceases to be the all-important concern of the State; and in so far as they may have become dominant, they will be especially loth to give up their peculiar privileges or immunities. The pretensions of those coming as conquerors would be still more strongly enforced; and, in many countries, the road to power and position in the State has been absolutely closed to all but a privileged class. Nevertheless, where the two parties are at all comparable in energy and intelligence, the struggle must commence, though, unless they are also nearly equal in power, overt action may be for long delayed.

It is most essential to bear in mind the great fact of this actual positive increase in the value of peaceful labour. The industrial class gradually ceased to be mere collectors of the gifts of nature. Some improvement was, probably, made in agriculture; but the chief progress was in the arts, manufactures, and traffic of the towns, strong enough to secure their comparative independence. Wealth was actually created; rude and worthless materials received a new value from the application of skill and labour. The idea that the riches of a country can be increased only by foreign trade, carried on under certain favourable conditions, is one the fallacy of which has been long since demonstrated. Great as are the advantages of trade beyond the seas, the continuous traffic carried on between town and town, within our own country, is of far greater social importance, though, as it is less obvious than that carried on from the sea-ports, it has often been too much overlooked, even in the present day; but it is the actual production of objects of utility—

of food or clothing, arms, ships, buildings—of things useful or pleasant to man, that increases the wealth and material resources of a nation, whether these are retained or exchanged for whatever may be still more useful with other countries.

Thus the basis of the relative position of class to class was essentially changing: the Crown and the barons were but recognising an undoubted and accomplished fact, in acknowledging the power of the industrial classes, who did not come as conquerors, or seek even to share in the substance of others. Their wealth was of their own making. Rude labour, trained in the guilds of the crafts, gave value and utility to worthless materials. Trade supported the industry both of the town and of the country; and foreign travel led to increased knowledge, and expanded the intelligence of the merchant-adventurers. The formation of a middle self-supporting class introduced a new element, which gained influence in the State, not by the favour of superior authority, but by virtue of its own inherent power. It is true that the citizens have repeatedly made head against the nobles, by the aid of the Crown; but it was not the object of the Crown, on such occasions, to protect weakness, but to ally itself with strength, from which it derived reciprocal material advantages. It is only what we must expect of human nature—to find either party prone to disparage, undervalue, and *cheapen* the work of the other. The baron, in early times, considered he had the right to protect the burgh, and the privilege of sharing in its revenues, though it may be, professing high scorn of the sources from which they were derived; indeed, in no privileged class does the contempt for labour or commerce appear in any way to impair the appetite for engrossing its fruits. Ere long, however, we find the nobles themselves seeking to share the profits and privileges gained by the citizens—a desire which the latter were not always very ready to gratify. The lower

class, too, would benefit indirectly, for, though not raised as a class, it was something to have another road open by which the poorest might hope to gain fortune and independence.

The disposition of any class to over-estimate its own importance to the welfare and safety of the State by no means necessarily implies peculiar depravity or total selfishness. It is one of the easiest of self-delusions, and can exist with a sense of justice of by no means a low order, and still more easily with those feelings which prompt to mercy and almsgiving. The uncontrolled love of dominion is quite as strong and quite as pernicious as the love of wealth. Men can, and frequently do, fully and entirely believe that they have rights to which in reality they have no just claim whatever. Their ignorance veils their injustice from their consciences, though ignorance of such a nature can hardly subsist but with the partial and imperfect vitality of the moral nature.

The same disposition, for which only the same partial excuse can be adduced, animating the burghs, has manifested itself in contests for exclusive privileges and arbitrary monopolies, on the plea that they were necessary for the support of a trade or manufacture which brought gain to the State. The operation of selfishness is the same in either case.

But stubborn to the last degree, and even ruthless in combat as we are prone to be, a vindictive destructiveness has never characterised our nation. "Never to pardon or forget an injury," has not been a point of honour among Englishmen. Combinations formed to meet a common danger proved to all the value of mutual co-operation. Good faith, rather than any far-sighted policy, or ineradicable hostility, kept men thus associated together; and public spirit, first exercised within a narrow sphere, extended with their growing intelligence and increasing powers to concerns of national importance.

Still, we cannot expect to find men in our own or any other country exempt from errors, to which by their position they are specially tempted. A class dominant over their fellows, and unrestrained by a higher sense of moral obligation, choose, so to speak, their own sphere of duties; fix a range of them more or less extensive, but will ignore more or less those which really press upon them. They will, as we have said, put their own value also on their own services and importance, and inferiors who fail to recognise it are charged with ingratitude and a want of due subordination. The inferior class, on the other hand, have their range of duty very much assigned to them. Their superiors, if permitted to do so, will take their services as a matter of course, and underrate the value of their labour. The former have a very great specious advantage certainly. Having fixed their data to suit themselves, their conduct may, to a great extent, be logically consistent with their theory, without any very onerous exercise of duty and self-denial. Virtue thus made easy can be viewed æsthetically, and very much admired: there is little difficulty, indeed, in fulfilling its obligations, if the more inconvenient and burdensome of them can be performed vicariously. Such a society may be very pleasant: its conversation will not grate on the moral feeling, but its pretensions will not stand the test of impartial examination, and the insecurity of its foundation is shown in the day of trial; yet, nevertheless, if the moral feelings are not too much deadened, these perversions and self-delusions will be abandoned as their fallacy is demonstrated, and no demonstration is so forcible as the strong, temperate, intelligent, and persistent remonstrance of those on whom an unjust share of the burden has been imposed.

The vices of servility and lying to which an inferior class are most tempted, and, therefore, most prone, cannot be glossed over so speciously. To some extent it may be ad-

mitted that they are forced on subordinates. Authority may preach as it will, but if the standard imposed be higher than the moral condition of the people can receive, or the duties assigned are not allowed and recognised by them as such, the result can only be a resort to more or less habitual falsehood and deception. Nothing can be worse or more dangerous to the welfare of a people than such a condition. Unscrupulous fraud may—indeed, very often does—gain material advantages over unjust force, but the actual degradation is not the less hurtful.

It is true that when the occasions for deception are partial and exceptional, those who practise it are often less vitiated by the evil than might be supposed. A broad line of distinction is drawn between the casual mendacity and the habitual truth. If the mind have still soundness in it, nature, as it were, isolates that which is foreign to it, as a foreign substance forcibly introduced into the body may be so isolated that the functions of life may be carried on with little pain or inconvenience. But admitting, as we must do, that the evil is thus mitigated, its corrupting tendencies are not the less pernicious; and on the assumption that the inferior are in any degree equal in the moral scale to the superior class, nothing can be more suicidal than to give way to such baseness. Evil cannot thus be overcome with evil. The strength of a party, whose cause may be essentially just in the main, is frittered away on questions which are beside the mark. Issue is never fairly joined, and some irrational compromise is the best that can be expected from a contest begun or carried on by untruthfulness and deceit. There may be change and re-form, but little real progress in civilization.

These two broad phases of wrong, servility and the decay of truth on the one hand, oppression and the neglect of essential duty on the other, are but modifications of the same evil of selfishness. However parties might change places, unless

there were a change also in the moral status of the individuals, the same phases would be seen as the apparent result of position, and in reality the natural development of the same evil cause under different conditions.

Such are the natural tendencies of man when his moral sense is but partially aroused. In a lower state, undisguised force and fraud strive together in unrestrained animosity; and when the fruits of sin are still loved more than the sin itself is hated, a compromise is made, repulsive, indeed, to contemplate, but one in which it is by no means to be assumed that vice is entirely the gainer.

In considering the advance of the country generally, and more especially that of the new and rising "middle class," it must also be remembered that it had to contend with the most profound ignorance, and the most astounding fallacies regarding the new interests with which it was identified. It had to grope its own way, unassisted, through the darkness. Theory has done much for practice within the last century, but practice was far in advance of theory up to the middle of the eighteenth century. Even at so late a period, a man no less distinguished and (as might be supposed) practical than Dr. Benjamin Franklin totally discredited the real use of labour as producing things useful to man, and held that the real advantage of manufacturers was, that by their means traders might more easily cheat strangers; but that the only "honest way" by which a nation could acquire wealth was by agriculture, "wherein man receives a real increase of the seed sown in the ground in a kind of continual miracle wrought by the hand of God in his favour, as a reward for his innocent life and his virtuous industry."*

* See a curious note in "Bacon's Essays, with Annotations by Dr. Whately," Essay XV. The extract there quoted is from the Annual Register for 1779 (Appendix, p. 114), from a "Plan by Dr. Franklin and Mr. Dalrymple for benefiting distant countries." The Doctor's own practical sense was, no doubt, far better than his theory.

Even Bacon entirely failed to perceive the truth, to our age so evident, that the labour which can fashion the ploughshare from the rough ore as truly creates wealth as that which tills the soil, and is as dependent for its success on the use made of the natural properties with which in various ways, and subject to different laws, the Almighty has endowed all matter.

Daily experience would, doubtless, do much to correct theories so utterly at variance with facts. It may have appeared strange to thoughtful men to see riches amassed by those who, by the theories taught, had no honest means of acquiring them at all; but, happily, we are a people not too much bound to theories, and men were not likely to be misled into the belief that the citizens of world-wide reputation, "whose word was as good as their bond," gained all their wealth and good fame by dealings which were essentially nefarious. Still, the prevailing ignorance could not but tend greatly to confuse men's consciences, confound their notions of right and wrong, and misdirect the energies of the country.

So, also, with the higher matters of religion. We cannot enter into the question of different creeds, or the comparative merits of those professing them. We must refer only to their mode of dealing with men. Of the Church of Rome, in its earlier and purer days, we must ever speak with gratitude and respect; but its good deeds in later days can hardly be said to have gone beyond mere almsgiving. The moral and higher part of the nature of those around them was almost totally neglected, and the material gifts which alone they dispensed tended greatly to pauperize and degrade the population. They dreaded the effects of knowledge, and did their best to shut out light from the people; their aim was to keep them safe within the pale. Ignorance was the mother of devotion; not, indeed, to God, but to that Church which stood between God and His creatures. Heresy alone was the sin

not to be forgiven, the iniquity with which they could hold no terms short of implicit submission. These errors were but partially abandoned by the Protestant Reformers. They had not the same dread of enlightenment, but still thought that men's belief could be regulated by ordinances, and ought to be enforced by the authority of the law. Their purer faith contained in it the contradiction of their own practice, but authority and orthodoxy had so long been associated together in men's minds, that even those who had insisted most strongly on the right of private judgment, strove when in power to exact obedience in things spiritual as implicit as in things temporal. They failed to perceive how necessary independence and toleration were to each other; but neither the one nor the other had as yet been recognised as general principles.

Thus we may see, in the chequered history of our progress, how the aggressions of power have mutually been checked and curbed—how one little section of the community after another gained independence for itself, but how tardy has been the recognition of the *principle* of independence. Are we not warranted in believing that progress has been slow, because the ends desired have not been pure? But each section as, by God's blessing, it enlarged its own liberties, strove, and, in God's mercy, strove in vain, to *keep down*, or, at best, *keep out*, those below them, till the general recognition of this great principle as an essential condition to our national prosperity was forced on us. We may see, also, how closely toleration is connected with independence; how scholar, priest, and preacher, for long equally rejected the one and feared the other; how the dwarfing of that "most excellent" virtue of charity into mere almsgiving resulted, as all such debasements of Christian truth must do, in increasing the evil which it was intended to relieve.

We may see further how the actual value and utility of

human skill and labour have increased, till the industrial arts of peace subdued larger fields than the sword of war; how, as it became creative, by working with the powers of nature, not merely collecting her free gifts, the *producer* gradually and justly rose above the *protector*.

It is not to the baser, but to the nobler elements, that we must ascribe such advancement as we have made. Evil may destroy evil, wrong may strive with wrong, but "can a corrupt tree bring forth good fruit?" True it is that, out of seeming evil, good may arise. Even war—direful, cruel, unjust war—has its stern use; and it is this:—Its hard, bitter experiences *force* on men the knowledge and the conviction of the iniquity of those causes which lead to it, though many men, some nations even, have perished ere the lessons thus ruthlessly taught could be learnt. The unbridled indulgence of selfish passions must of necessity lead to mutual hatred, of which war is the fitting and logical consequence. Work out the lesson. Plague, pestilence, and famine, are not too dear a cost for the experience, if, indeed, it can be gained at no less sacrifice.

We are far, indeed, from conceding that the growth of our national liberties has been promoted by the conflicts engendered by so base and vile a motive as selfishness, taking the word in its usual signification. It was rather the check mutually given to selfishness by the balance of the conflicting elements of society, which prevented any one class from overwhelming all others, and falling in its turn under the weight of the vices so rapidly engendered by uncontrolled and irresponsible power. Nevertheless, it is as little to be supposed that the true interests of men, rightly understood, are naturally and irreconcilably incompatible. There is a sense in which the highest moral duties may be deduced speculatively from a perfectly enlightened view of the self-interests of individuals, and herein is shown the harmony of the Creator's design. But this speculative view amounts merely to this:—That if human

motive and action were perfectly conformed to God's perfect law for men's guidance in the affairs of the world, duty and self-interest would be in exact harmony; but the effort to approach this high ideal for ourselves or others calls for the constant exercise of self-denial, and even self-sacrifice. Self-interest is, moreover, a word bearing a widely different meaning from selfishness. We may speak of enlightened views of self-interest, but enlightened selfishness is a contradiction of terms.

The strongest proof that, through all our social conflicts, good and the love of truth have predominated, is the fact that the character of our courts of justice has ever been in advance of the average morality of the age. There has still been the desire to appeal to something higher; still a recognition of a higher law, amid all the turmoil of faction, all the strife of party. It would be absurd to assert that our courts had always been above reproach, and our judges immaculate; but as a rule, with few exceptions—and those at the time when made, and then, and ever after, regarded and execrated as foul and exceptional wrongs—our judges have been men comparatively free from the animosity of parties, who have in some measure studied and maintained the right, not only against power, but against opinion. To expect to find men wholly unbiassed by the bigotries, passions, and interests of the age in which they lived, and able to walk in the pure full light of truth and justice, is to look for a miracle. It is enough if we find judges chosen for the discharge of their high functions from among the most just and upright men of their time, and the mass of the people the upholders, and, to a great extent, the active promoters of the laws. Even the exceptions strongly prove the rule. When we do not find the best engaged in the administration, it is the worst of men we find employed for the perversion of judgment. None but the vilest, who for the vilest motives could brave the execrations of a nation, dared so to outrage their best and strongest feelings.

In estimating the value of this argument, the virulence which even in later times has characterised the rivalry of parties, must not be forgotten. Neither our origin, nor our training, have conduced to that peaceableness which comes from cowardice or apathy. Even when not actually in arms, the fierce spirit of civil discord has for long periods raged with scarcely abated virulence. Men entered the stormy arena of politics with their lives—ay, with their very souls—in their hands. Toleration was unknown. Civil and religious contests were carried on with the temper and inveteracy of an avowed state of warfare. All were ready and eager for strife—indeed, thought they would be doing God service by persecuting to the utmost extremity those who differed from them. The Puritans would not have dealt tenderly with Laud. Rome, in the early days of the Anglican Church, would hardly have rested content with a spiritual victory; and there are, we believe, to this day those to be found who, if they had their will, would gladly enforce, with the edge of the sword, the renewal of the Solemn League and Covenant upon a rebellious and backsliding nation.

That, amidst all such storms and trials, our courts of justice, should show a steady advance in purity and dignity, surely proves that strong as have been the base and evil passions at work, they have been counteracted, though but a little and that little slowly gained, by the still stronger working of truth and equity.

Stained and defaced as are the pages of our history, error, and crime, masterful wrong-doing, cruel ignorance, fraudulent superstition, still stand out as blots on the record. We may yet trace the growth of truth, and that knowledge which is purely born of truth—feebly, indeed, but still increasing—slowly "creeping on from point to point," bringing with it rich and abundant rewards, and calling for the exercise of higher duties.

III.

THE RECIPROCAL RELATIONS OF FREE MEN.

POLITICAL ECONOMY.

All Classes, without exception, to be included in our Civilization—Duty simplified, but not set aside—Exceptional Duties towards the Poor—Dream of the Golden Age—Actual Extravagance of Savage Life—The Changes in our Social State—Simile drawn from the Progress of a Fleet, and from the Organization of an Army — Relation in Nature of lower to higher Functions—Just Laws regarding Material Interests the necessary Basis of Advancement—Adam Smith—French Revolution—Ricardo—J. S. Mill—Rapid Advance of the Nation morally as well as materially.

Objections to Political Economy considered—Exaggerated and false Views sometimes held—Quotation from the "Wealth of Nations" discussed—The Study of the Principles of the Science necessary for the due Subordination of material to higher Interests—Labour the Basis of all Value "in Exchange" — Essential Difference between personal Selfishness and Self-interest.

Some Instances in which selfish and mercenary Motives are unfairly imputed —The impartial Justice of the Laws laid down—The Growth and Reality of independent Feeling—Crime and Pauperism—The Doctrines maintained not levelling, but progressive—Call for Charity and Discrimination—On general and superficial Knowledge—Conclusion.

III.

THE RECIPROCAL RELATIONS OF FREE MEN.

POLITICAL ECONOMY.

THE great social problems which now engage so large a portion of the attention of those who most truly labour for the well-being of mankind arose for the first time in the Christian world. The classical literature, to which we have owed so much in other respects, can aid us little here. The spirit-stirring praises of liberty, the noble denunciations of tyranny, which fired our youthful imagination, were for the freemen of a nation, not for a nation of freemen. Hence we have maxims, theories, and opinions, wholly inadequate to, or even directly incompatible with, the full scope of our duties. The power of labour may be in some sense extolled, but labour generally is, for the most part, regarded as the drudgery of a servile class. It is at best simply ignored, and its fruits assumed as a matter of course. Now, this is what we may not and cannot do. Our civilization, if it be possible, must fully embrace all; our task will never be complete till all are comprised within its limits. No man can be held degraded by reason of any honest work he may do. No man can be held ennobled by that which results in personal aggrandisement only, whether in greater or less degree. He is independent, inasmuch as he is self-supporting, but nothing more.

The animosity between classes in this country has shown comparatively little of the rancour which has been displayed in other less-favoured nations. Party spirit has, indeed, run

high. Our combative natures, heated by strife, have at times led even to the most violent excesses, but these, so far from increasing class distinctions, have done very much to weaken them. What brings out the true nature of men so much as common danger and trials? What so truly brings together master and dependent, officer and soldier, as common perils if they be nobly braved? But it were unreasonable to expect that a new class should rise into importance without exciting much jealousy and opposition, especially when the basis on which it rested was for long, even by those within it, either not considered at all, or totally misapprehended. To the reality of the growth of the middle class we have already referred. The independence of industry in England has been recognised for the all-sufficient reason that it has most emphatically become so. It could not but maintain its claim to be treated on terms of equality. Labour has become no longer simple and subordinate to power, but complex and self-sustaining. Mental and physical energy of the most diverse kind and degree have been associated together in powerful combinations for fruitful conquests in the inexhaustible fields which nature has barred only to those who, through ignorance or perversity, will not obey her laws. We are compelled to a more enlarged study of the laws of mutual co-operation and reciprocal obligation, both as affecting the relation of this general class to other classes, but most especially as regards the mutual relation of the various sections of it towards each other, freely associated together as they are for common designs, but differing widely in power—differing as essentially whether the superiority of that power be derived from material or intellectual resources. The terms of association are, indeed, ostensibly equal, and are so, as far as any system of laws can insure equality—incalculably more so than they would practically be, were a despotic government to attempt to override freedom of action and dictate on

what terms men should work together; but the weak are not the less concerned that the strict principles of justice, in regard to all that relates to the interchange of services, should be clearly set forth; for the strong are ever naturally prone, not only to overstep the limit, but even, unconsciously, to press back the boundary.

And here we must pause to dwell for a moment on a distinction of most vital importance to the moral health and well-being of society. In considering the mutual dealings of man and man in a free country, we assume equality between them, not generally, but in regard to those matters on which they come together. Thus we may say that a peer is a much greater man than a cobbler; but on the question of mending boots, which brings them together, the latter is at least quite as good as the former. It would be impossible to elucidate any general laws whatever, if the questions arising were to be interminably complicated by doubts whether men, entering into mutual relations with each other, knew what they were about. We must *assume* that both parties are competent to know and take care of their own concerns; but this assumption is a postulate only. If this equality exist, all the maxims based upon it apply; if not, the condition on which they all rest is not complied with.

It must never, for a moment, be forgotten in the daily practice of life, that though our duty may be thus simplified, its obligations are in no way lessened. In so far as we may be superior, in whatever way, to our neighbour in regard to any question arising between us, just in so far do the active obligations of duty extend towards him.

If our neighbour be incapable of taking care of himself, if he be altogether helpless and useless to society, other very grave questions arise regarding our duties as individuals, and as a nation, towards those to whom no laws of reciprocal obligation can adequately apply.

The question is an old, a very old one, and, in some aspects, a very sad one. The Hebrew lawgiver wrote, "The poor shall never cease out of the land," and as it was then, so it is now. With the rapid progress of invention and organization, with the increasing calls made on the individual as an advancing civilization penetrates into all classes of society, there will constantly be found some unable to meet its requirements—many by no means destitute of good qualities, or incapable of improvement, who seem, as it were, to have been born behind the age. There are laggards in the march even of the best-appointed armies, but not all the faint-hearted are false-hearted. Society should deal very tenderly with such, helping them in many of those concerns of life which are best left to the personal care of their stronger brethren.

As a "middle class" has grown up, and been formed by reason of inherent qualities found very generally diffused among us, so this lower class is formed by the aggregation of those in whom these qualities are conspicuously wanting. We do not refer to those who, through venial weakness or extreme pressure of misfortune, have fallen into it, and who, though for a while in it, are not of it. Speaking broadly and generally, the cause of the degradation is to be found in the character and habits of those forming the class to which we allude. Not inherent in their natures any more than in our own, but it is, for the time being, in themselves, although their condition will be, to a great extent, governed by the influences around them. But their position is not imposed upon them by any extraneous law. The classes into which Society is divided must not be regarded as anything more than aggregations of men bound temporarily together by casual circumstances or common interests. Between the lower and middle there is absolutely no bar whatever imposed by law or authority. As far as justice can be meted out, it is impartially given to all. But is justice all that man owes to his

fellows? Nothing is more hard than the bare doctrine of "equality" turned against the weak. To "love mercy" is enjoined by Divine authority as much as to "do justice," though the one duty must not be suffered to interfere with clear views regarding the other. The prayer of the Christian is, "Forgive us our trespasses, as we forgive them that trespass against us." Justice acknowledges the trespass, both in ourselves and others, but the admission of common frailty implies no right of mutual aggression.

While, therefore, we may never, for a moment, forget our duties to those who are without the pale of self-supporting industry, or relax our endeavours to bring in all to share together the fruits of well-directed labour, and the full freedom and dignity known only to independence, it must be obvious that, in discussing the laws and investigating the principles which should regulate the social economy of a free country, we can refer only to the mutual wants, desires, and capacities of free and independent men; and it by no means is to be inferred that the exceptions are forgotten or neglected, because they are not brought forward in the simple exposition of the laws thus elucidated. The exceptions are, indeed, abnormal, and our whole aim and desire is, not that they should modify the law, but that they should be reduced to conformity with it.

Great economic truths may be hard, because the condition of our existence, that "man should eat bread by the sweat of his brow," is repugnant to us. We long for a rest not to be found on earth, and poets fable a golden age when men lived on fruits freely yielded by the kindly earth. We thank the poet for his bright dream which he has given to us; the mind may rest in it for a while, and haply gain strength from the repose, but cruel, indeed, is he who would attempt to bring down the bright vision to a waking reality. Those who know best what the stern realities of savage life really

are, even under the most favourable circumstances, describe them in the most pitiful terms. And there is another fallacy more dangerous, because its bearings are not so generally perceived. Civilization has been denounced as coming with all its wealth and power to take away that little which is the sole possession of savage tribes living on the spoils of the chase. "Alas!" it is said, "are they to be sacrificed because their wants are so simple and ours so great?" Let us see what these simple wants really are. It may bring the truth more plainly home to us if we look at the results of reversing the work of civilization. William the Norman longed for these simple delights, and in the first cruel flush of conquest took means to gratify his desire. The New Forest gave sport to him and sustenance to some few outlaws, where hundreds of happy homes had been maintained. The so-called "simplicity" is obtained at a cost so enormous that no luxury or extravagance of civilized life can compare with it. Nature, in truth, gives very sparingly, except to labour. She is very bounteous to her fellow-workers, but gives little to those who glean in untilled fields. Hundreds may live on the ground required by one hunter for the gratification of his rude instincts.

But we need dwell no longer on such exceptions, but shall revert to those who are manfully taking their part in the common work of society. While, then, we cannot recognise either moral, intellectual, or material equality as existing now or at any other period among men, we do most fully avow that the state which conduces most to the well-being of all men is that of personal independence. We must recognise also the growing importance of the creative power of labour, and the right of all who work for the support of the Commonwealth, to share freely and equitably in the fruits of their common industry. It is evident also that the maxims and theories of bygone ages must be inadequate for the guidance of society growing up under conditions in many

respects so radically different, both from those originally prevailing among ourselves, and from those inherent in the various States—in some respects our equals in civilization—which have been held up as examples in the literature which has exercised so powerful an influence on our intellectual development.

It is not that the great fundamental principles of justice between man and man have changed, but our faculties as a nation are enlarged, and we can yield a fuller obedience as we obtain a deeper practical insight into higher truths. It is *our* laws and theories—our attempts to give better force and expression to these higher laws among ourselves—which must be extended as our knowledge increases, and our wills are brought more and more into willing subjection to the eternal decrees of Divine wisdom, for it is no merely ceremonial law to which we owe obedience. If we love God with "all our heart, and with all our soul, and with all our strength," to those who strive to do God's work in His world, enlarged capacity implies the obligation of higher duties.

The subject of the mutual relations of man to man in *all* conditions of life thus presents comparatively new features to us. Opinions, laws, and principles have been very considerably modified during recent times, and are now in a state of transition, especially as regards the reciprocal duties of independent men, and those material interests common alike to the highest and the lowest.

The progress of a nation may be compared to the course of an exploring fleet sailing down an unknown river, in search of the boundless ocean. Mighty obstacles, of the cause of which the navigators know nothing, obstruct their course. At times it seems as though the stream itself were to be forced back to the sources from whence it sprung, or its violent currents circle round as though its waters were never

to reach their home. Some may suffer wreck, all will suffer hardship and delay, but those who keep in the stream must reach their bourn at last; while those who may be led away by the enticing tranquillity of some fair-seeming creek may find too late that it is calm only because it has no connexion with the distant sea, but stagnates and is dried up in the arid plain. And not faith only, but patience and temper will be sorely tried. There will be some laggards ever anxious to anchor and wait for favouring winds and fair weather. Some who will persist that their eddy is the main stream—their own senses prove it to them—they must save themselves let the rest go where they list. Other self-constituted guides—vain idlers in the van, as there are laggards in the rear—may baffle and mislead by false accounts and specious conjectures, and, if they cannot get credence for their own stories, throw doubt and discredit on the reports of true investigators. Such are the difficulties met with in life; we cannot hope for ourselves or our neighbours to be free from such errors. And let us illustrate another truth by our simile: it may serve to show the unreasonableness of the scorn which thinkers have sometimes expressed for the labours of statesmen. The progress made must depend on the condition of the fleet: it cannot be secured only by the discoveries of the pilots. The true work of the statesman is to carry on *the nation*—to preserve it at least, to advance it if he can. The speculative study of progress may be one of the highest pleasures, but it does not constitute the sum of the duty of the ruler. The baffling currents and contrary winds, the uncertainty, ignorance, and deficiencies of all, have to be considered. The question is how to get on the fleet, despite all its internal weaknesses and external difficulties; and he may have to follow some into eddies and counter-currents, apparently even working patiently backwards, till the current itself rejoin the main

stream and regain its true direction, lest he wreck the vessel he seeks to save.

Again, some may deplore that the movements of great armies should be trammelled by such low and gross considerations as those of the commissariat, or of baggage—the mere *impedimenta*, the hindrances, to high action and victory. But the great aim of the general will be by good discipline, and organization carried to the utmost perfection in all its parts, from the highest command to the lowest detail, to put as much life as possible into this inevitably inert and cumbrous, but most necessary part of his army. *Most* necessary, for he must have the strength and vigour which can only be secured by such material means before he can use it against the enemy. His object is to perfect, and by perfecting to subordinate, the lower organization requisite to maintain the health and efficiency of his soldiers, *as men*, and, by military discipline and training, to *superadd* the skill of the warrior to the force of the man.

So the general operation of the law of progress in nature is not by the destruction of the lower to make way for the higher function, but by superadding the higher to the lower, the latter, nevertheless, continuing to be as absolutely necessary as before for the preservation of the higher vital organism; it has become subordinate, but is not degraded; it is inferior relatively only to the new and more exalted faculty.

Thus also in our own natures: some of the feelings most essential to our well-being are held in common with the higher part, at all events, of the brute creation. What can be more beautiful and sacred than the yearning love of a mother to her infant? Yet the seal and the eagle and the tigress claim a sympathy with the feeling implanted in common in the bosom of all. Many of the lower animals also possess a share of that true feeling of friendship which phrenologists have termed "adhesiveness." Are these feelings,

therefore, to be cast aside? Do not rather our inmost souls rise up against those "without natural affection," regarding them as having sunk below, not as having risen above, the brute? Nevertheless, these natural affections, holy and essential as they are, must be subordinate to those higher faculties which are man's peculiar property. The operation of the lower must be directed, controlled, and, if stern need be, even suspended, by the higher powers. The former must be refined and guided (not the higher by the lower, but the lower by the higher), harmonised with the latter, but not destroyed, or the result is a monster anomalous in nature and repugnant to mankind.

It is not without a reason that we thus endeavour to direct attention to the lower parts of our nature which are so indissolubly knit together with the higher. It is with the body politic as with the individual. If the mind be cultivated, and the body unduly neglected, the inevitable result is radical weakness, instability of judgment, and ultimate decay of the mind itself. Do not we see the same in nations?—the unjust neglect of material for speculative interests, leading to the misdirection and the ultimate decay of intellect and intelligence? A plain warning to all that our wisdom in this world is to study patiently and humbly *all* the natural laws that affect our well-being, however much we may desire to escape from the conditions imposed on us by God's providence.

The material interests common to all mankind have, therefore, a claim equal to the highest to just and careful consideration. If we come down from the contemplation of high general truths to the discussion of the laws which regulate bargains and the distribution of wealth, and affect the every-day wants of mankind, we do so because we deeply feel that we have no right to take our daily bread as a matter of course—that we should never forget that the lives of all of us—of the highest as well as of the lowest—depend on the

supply of those physical wants. They are in this sense the basis of our prosperity and advancement, and it is, therefore, of primary necessity that we deal truly and justly with each other regarding them. Our immediate question, however, does not relate to the estimation in which different possessions or attainments *ought to be held,* but to the principles on which property and services, obviously widely differing in value and utility, *can be equitably interchanged;* and though the details and rudiments of political economy may be dry and repulsive, the science embraces some, and is closely connected with many other, questions of the deepest interest to the philanthropist. It treats specially of the material portion of the resources of a nation, of their production, distribution, and consumption, and of the voluntary services which have relation to those material objects that are considered, in the common estimation of mankind, necessary, useful, or agreeable to them.

The repugnance which for a long time was, and in some quarters still is, entertained for this branch of science, no doubt had its origin, in some degree, in the causes to which we have already adverted. Custom and habits of thought coming from ages long before feudal times, and but little modified by them, disposed men altogether to contemn and disparage manual labour and the commerce connected with it; and when questions arise as to *rights,* self-interest necessarily is brought prominently forward—even mutual concessions, dictated, in fact, by the truest spirit of liberality, will leave many dissatisfied, and with the impression that selfishness alone has dictated even the partial invasion of the interests which have been unfavourably affected. Old landmarks have been swept away, and time-honoured associations broken; new ties have not yet been cemented. The letter of the old codes of right and wrong, and of the reciprocal duty of those in the several relations of life towards each other, is rudely assailed, and

but too often the spirit, as well as the letter, is, for the time, forgotten. It is difficult to trace the essentials of the old faith in the new forms, yet such are the temporary evils inseparable from all social changes, however just and necessary.

The idea of labour as a true reproductive and creative power was, as we have seen, of late birth. "Whatever is somewhere gotten is somewhere lost," is one of the few economic fallacies propounded by Bacon, and one which maintained its ground long after his time.

Nearly a century has passed since Adam Smith gave to the world his "Inquiry into the Nature and Causes of the Wealth of Nations." It was a period of much activity both in literature, the arts, and religion, while it may be fairly said that a new era was commencing for industry and enterprise. Brindley was carrying his canals through the country; Wedgwood, Arkwright, Smeaton, Watt, and many others, were opening up new and most important branches for the profitable employment of labour. The time was ripe for the new doctrines propounded, and it would be hard to say how much the country owes to this great writer, who did so much towards clearing the way for the healthy and peaceful development of these new interests so rapidly rising in importance.

His claims rest neither upon the entire originality of his views, for traces of many of the theories advanced by him are to be found in earlier writings, nor upon the absolute truth of all his opinions, for some of them were controverted even in his own time, and the investigations of subsequent thinkers have further corrected many of his doctrines. But when we consider the immense mass of ignorance and prejudice, and all the perverted notions prevalent in his day, we are better able to appreciate the capacity of the mind that could first bring so complicated a subject, from the regions of mere dogmatism and empiricism, into the domain of true science.

The progress of the nation received a check in many ways from the reflex effects of the great Revolution in France, which exercised the more disastrous influence upon us, as the deep-lying social causes of which it was the necessary result were as little understood or appreciated in England, by many who at first hailed, as by those who always contemned and dreaded it.

Inflated expectations of social advancement to spring from the mere condition of freedom, without mental (that is, both moral and intellectual) culture, were followed by unreasonable dread of all innovation, however naturally resulting from the changing conditions of society. The long war also engrossed men's thoughts, and severely taxed our resources; but, though the improvement of our social condition was checked, it was far from being arrested.

Early in the present century another great writer appeared, David Ricardo, whose profound and practical speculations further advanced the science, and, however partially received and understood, have been of inestimable value during the great changes and rapid material progress of the country in more recent times. Numerous other writers have in various ways and degrees added to our stock of knowledge on economic subjects, or to the elucidation of the principles affecting them; and John Stuart Mill, in our day, has far advanced the boundaries of the science, in a noble endeavour to meet and anticipate the growing requirements of the age.*

Our space will not permit more than a very cursory allusion to the enormous and progressive increase in the material wealth and prosperity of the country since the time when Adam Smith first propounded his theories. Our foreign trade has

* The works both of Adam Smith and Ricardo have been edited by Mr. M'Culloch, who has enriched them with various notes. His articles in the "Encyclopædia Britannica" give an able summary of the science of Political Economy.

been prodigiously extended, and, according to official returns, is about five times greater now than at the end of the last century (1798), when the accounts of our national imports and exports were first taken; but this probably affords no measure of the enormous additions which have been made to the internal wealth of the country. It is needless to recount the numerous inventions, the varied skill and enterprise, by which new fields have been opened up to industry, or to tell how wondrously the power of steam has aided the labour of human hands. The most ample sources of information are open to those who would follow out in detail this branch of the question. But another, and still more important one, is the change which has gradually been wrought in the spirit and character of our industrial undertakings, and of our legislation regarding them. Our Colonies, and our Indian Empire, have grown up beyond the dreams of his generation, but are no longer regarded as dependencies to subserve the interests of the mother country. Our interests we now more truly seek in *their* prosperity. The independence of those fitted for self-government is no longer regarded with jealousy and dread. Truer and stronger feelings of attachment are, we trust, growing up, especially among those of our own race, for the home of their fathers: the bonds of common sympathies and interests truly shared in common. Our sense of right and knowledge came too late to prevent one great exception; but that experience, bitter as it was at the time, has not been thrown away upon us. The one-sided and false idea, that the riches of the nation were increased only by the profits of the merchant or manufacturer, is at last utterly exploded. We now truly see our wealth in the commodities which are produced by well-directed industry for the general benefit of the community. Monopolies and exclusive privileges, abuses which were in a great measure the offspring of this fallacy, have gone with it; and, at all events among the

higher ranks of workers, a man in our day would no more venture to justify himself in desiring a monopoly, than in coveting his neighbour's goods. And, erelong, we may reasonably hope to see such just views entertained by all classes.

Organizations of labour of a complex and extensive kind, requiring for their direction the exercise of ability of a far higher order than that devoted to such objects in former times, are now common, and the community at large fully share in the advantages derived from them. A large profit to the promoter, on a small outlay, was the character of commercial and manufacturing enterprises of the last century. Small profit on a large outlay, and that profit, moreover, conditional upon the strict vigilance and sound judgment with which the outlay is controlled, is the usual result of the undertakings of the present day. The power and influence of the productive and industrial portion of the community continues to augment: not so much from political arrangements, as from the broad fact that, while all sections have advanced, their share of the useful work of the Commonwealth has increased in by far the largest proportion.

The last great change, affecting most directly our material welfare, has been the abandonment of the doctrines of Protection, and the full recognition of those of Free Trade. Its true principles were naturally most clearly seen and most strongly advocated by those to whom the evils of the exploded system were brought home, as affecting injuriously the interests in which, for the time being, they were chiefly concerned. Those who supported free trade merely as a party question, and because they believed that it would be for their own advantage, had a clear right to urge the claims of their section against those of any other in the country; but in so doing they showed themselves to be in no way more liberal or enlightened than their opponents. Gratitude is due only to those who turned the scale by showing that free trade was

not a question of the conflicting interests of different parties, but one in which all classes of the community were concerned, and that the freedom of industry from needless and artificial restraints must conduce to the benefit of the nation at large. Viewing the question broadly, it must be admitted that the interests of the *consumers* have quite as much claim to consideration as those of the *producers* of commodities, and the real points at issue will be found very much to resolve themselves into the recognition of this simple matter of justice. Of the advantages of commerce as a security for peace, and as tending to promote a better understanding and more good-will among different nations, it is needless to dilate. It is quite true that mankind will not necessarily live ever in peace and amity because they trade together; but if nations live in amity, it is as unnatural that they should not trade, as that men should constantly meet without breaking bread together. Prohibitions to trade interfere with the spontaneous growth of common interests and sympathies among nations, almost as completely as the prejudices of *caste* prevent the interchange of the most natural and beneficial courtesies of life among individuals.

Lastly and chiefly, none can study the history of the political and social struggles and conflicts of the last century without being convinced that, though much still remains to be done, a vast improvement has been effected in the spirit and temper with which party questions are now discussed. There is, and perhaps there ever will be, a class depressed and dispirited; stragglers unable, as it were, to keep up with the onward march of the community, or who have been thrown out of the line by accident or misfortune. On the other hand, we have very numerous instances of men from the lowest ranks achieving not merely independence, but high position, and a distinguished place among the great men of the nation. Different classes subsist, but the barriers which

surround them are passed freely and constantly from either side, and fusion goes on of a kind most beneficial to all. Many of the middle class, not a few of their most energetic and useful members, trace their descent from noble families. Most of the nobility owe their origin from the middle or lower ranks on one, if not both, sides of the family. Class interests are more and more becoming a mere question of accidental position attainable by all, as far, at least, as any actual or possible legislation is concerned. More perfect fusion must result, but can *only* result, from more perfect and universal civilization.

Some of the most benevolent of men, who devote their lives to the task of relieving distress and instructing ignorance, are, we think, prone to take too unfavourable a view of the state of society, from not sufficiently bearing in mind that from the stand-point which they have so nobly chosen, they see all the failures—few or none of the successes of those engaged in the undertakings of life. They have the exceptions so constantly before them, that they lose sight of the rule. It is most painfully true, that while some are struggling out of, others are constantly falling into, the abysses of helpless poverty. But admitting this, admitting all the magnitude and urgency of the evil, feeling deeply that individuals and society at large are still guilty of many things concerning their weaker brethren, it is impossible to deny that great ameliorations have been effected in the condition even of this class; while looking above it, to those supporting themselves in honest independence chiefly by manual labour, we have still stronger reasons for hope and thankfulness.

Men and systems are best tested by adversity. A nobler spectacle has never yet been seen, in any age or any country, than the attitude of the mill labourers now—in the autumn of 1862—suffering from the failure of the supply of cotton, on which their means of subsistence depends. What a brave, sturdy spirit of true independence, what reasonableness, what

heroic patience, have they shown, though there were not wanting those whose crude and ill-advised theories would have countenanced and excused a widely different course of action. Help to such men, bearing the brunt and first shock of a national calamity, should be freely given and freely taken, as between true brothers and comrades, not in arms, but in those peaceful fields of industry which have done so much for our country's prosperity. This heavy trial, so well supported, gives good ground for the best hopes for the future. They may, perhaps, take wrong views on questions of social polity which may hereafter arise; but that is but a light and temporary evil. Sound reason will prevail in the long run, if such questions are only discussed with firmness and temperance, and the same desire and love for right and truth which have been their mainstay in this trying emergency.

There are, indeed, many social problems affecting labour and the distribution of wealth which have yet to be solved. Opinions generally are, perhaps, more crude and unformed on these topics than on any other branch of political economy; and the conditions under which wealth is held and services are remunerated, are subjects for much careful consideration.

Two broad objections are urged against Political Economy. The one is, that it treats of, and cares only for, the lower material interests of men, to the exclusion and neglect of higher principles; the other, that it sets up a doctrine of universal selfishness as our best guide, at all events, for the affairs of this world. Let us examine these charges. If they be true, they are sufficient to condemn a science, were it ten times as well established and interwoven with every political institution and social condition of the country. It must be premised, however, that the defence is not undertaken of every one who has written anything in praise of

political economy, or ostensibly with a view to the support of its doctrines; and in discussing questions relating to it, care must be taken that the objectors fairly join issue with those who have propounded, with acknowledged authority, the true doctrines of the science. If the objections merely resolve themselves into general declamations that men are all very far from what they ought to be, we, assuredly, have no contradiction to offer to the accusation.

There are those who will run after everything that is new. They associate the idea of superiority with mere novelty, and the possession of one or two new ideas inflates them into such a state of elation, that they constitute themselves public instructors, and cover themselves and the cause they advocate with ridicule, unless, indeed, as is sometimes fortunately the case, the cause itself is so utterly ridiculous that no absurdity of advocacy can render it more so. But such men are quite as likely to get hold of a truth as a fallacy. Part of a truth, or a truth misapplied or misapprehended, may be as pernicious as unmixed error, sometimes more so: for there is a certain coherency about truth, which even a great admixture of error does not wholly destroy, and it may be so perverted as to be, as it were, the mere framework for holding together falsehood. This is an evil common to all ages and conditions; but though it gives a speciousness to fictitious theories, it interposes no serious difficulty to those who are sincerely seeking for knowledge.

The fallacies which will creep into the works, even of the most sober and conscientious thinkers, deserve a different consideration. A man who is really impressed, and, for the time being, filled with a great subject, especially if working alone in a new field, and thus necessarily unsupported by the counsel and experience of others, must be either more or less than human, if he be not at times somewhat carried away by it. One who goes astray in a well-known country may be

fairly blamed; but we should look very differently upon the mistakes of the first explorers of a new region, whether of thought or space.

It cannot be denied, however, that mere selfishness has by some been very unreservedly set forth as the motive power which has led men onwards, not merely in material civilization, but even in true liberty and independence: indeed, it would seem almost to be held by some that this most unworthy motive, blindly followed, has been a better and truer guide than the higher principles taught alike by philosophy and revelation, or that selfishness, though indeed a very detestable and contemptible, is notwithstanding a harmless and, practically, even a very useful vice in the long run. But it cannot be supposed that opinions so contrary to reason were ever really held by those who have done so much to investigate and promulgate those fundamental principles of justice, which alone are sufficiently broad and general to afford an adequate basis on which the civilization of a nation of free men can be raised. The worst effect engendered by such ill-advised and exaggerated expressions is the false impressions quite unnecessarily conveyed by them, especially to those who wish to believe in the views thus erroneously suggested. Class prejudices are increased—unreasonable assumptions of class rights strengthened: for, it is said, "It will allcome out right somehow or other, sooner or later;" while the minor dabblers in the science have had some specious ground for popularly misrepresenting its tenets.

One example will suffice, taken from Book III. chapter iv. of Smith's "Wealth of Nations," entitled, "How the Commerce of Towns contributed to the Improvement of the Country." After showing that the "institution of feudal subordination" was insufficient to restrain within due bounds the lawless power of the great landed proprietors, he goes on to say, but—

"What all the violence of feudal institutions could never have effected, the silent and insensible operation of foreign commerce and manufactures gradually brought about. These gradually furnished the great proprietors with something for which they could exchange the whole surplus produce of their lands, and which they could not consume themselves, without sharing it either with tenants or retainers. All for ourselves, and nothing for other people, seems, in every age of the world, to have been the vile maxim of the masters of mankind. As soon, therefore, as they could find a method of consuming the whole value of their rents themselves, they had no disposition to share them with any other persons. For a pair of diamond buckles, perhaps, or for something as frivolous and useless, they exchanged the maintenance, or, what is the same thing, the price of the maintenance, of a thousand men for a year, and with it the whole weight and authority which it could give them. The buckles, however, were to be all their own, and no other human creature was to have any share of them; whereas in the more ancient method of expense, they must have shared with at least a thousand people. With the judges that were to determine the preference, this difference was perfectly decisive; and thus for the gratification of the most childish, the meanest, and the most sordid of all vanities, they gradually bartered their whole power and authority."

But the extreme exaggeration of the view as expressed carries its own refutation. It is so very partial and narrow that it cannot even be called one-sided. The sturdy, manly vigour and creative power of the burghers is ignored as completely as the comparatively just spirit with which they were met by the dominant lords of the soil. It would be as absurd as unfair to judge of the past by the standards of the present age, still more so to compare the practice of the past with the theories of the present generation; but the conduct of those in power in England from the time when its mixed stock, as now constituted, was first welded together in a common English nation, does contrast favourably with that of those similarly placed in any other European state. We speak to the simple

fact, not forgetting the circumstances and conditions which restrained, and, we may even say, purified, power in our own country. The new truth, too new to be fairly and consistently applied, was simply that men were capable of taking care of themselves, and must owe their advancement, not to privilege or the favour of superiors, but to their own exertions. The success attending the only course adapted to the changing conditions of society was most unreasonably regarded as a disgrace to the one, and a triumph to the other. At the time alluded to by Adam Smith, the changing circumstances of the kingdom had, in fact, rendered the possession of power over the persons of men desirable only for purposes of the vainest and most foolish ostentation. As men could find honest and useful occupation, they were free to leave the country, and go to the burgh, no timorous and unworthy fear of the rising power of the latter operating with sufficient force to induce the lords of the soil to restrain them. The implication, however, in the quotation cited is, that as soon as they found a way of expending their means on a purely personal gratification, they had no longer any care whether those who had previously been dependent on them lived or starved; that the manufacturer or merchant, and those supported by them, would have the benefit of the price of his wares quite as much as the dependents would have done, is a fact forgotten. But is there any truth in the view presented? Spendthrifts there doubtless were, who acted after their kind recklessly and cruelly; but is any such degree of selfishness to be fairly charged against a great and important section of the English people? The very rusticity so commonly alleged against the country squirearchy shows that no such measure of moral guilt can be charged to them. Country lords and gentlemen have, no doubt, at times taken very one-sided views, and the annals of "Justices' Justice" may afford many strange examples of ignorant and bigoted intolerance. Still, the Dogberries and

Verges, and the village at large, were the better off from having even the Justice Shallows among them. Even blundering attempts at duty are better than the total and heartless neglect of an absentee proprietor. There are two figurative words often used indiscriminately, but differing very greatly in their signification, if regard be had to their derivation—"refined" and "polished;" the former implying the purification of the mass, the latter the gloss on the surface. In this sense may we not say, that the old lords and squires of England were more truly refined, though far less polished, than their neighbours and contemporaries under the *ancien régime* of the Bourbons; and is not our progress, slow indeed, as the motive power was feeble, more truly to be attributed to the better influences at work amongst us, rather than to the blind working of an unholy and peculiarly segregating principle?

No one who has read the varied and admirable works of the great writer on whose words we have commented, would ever suppose that he believed and taught that men's interests were best subserved by the mutual conflict of merely selfish exertion; and, carrying the mind back to his times, we can readily imagine some reason for the casual expression of such extreme sentiments. The power and utility of constructive labour was just beginning to be felt, and by him and a few leading minds with him to be duly appreciated; but with the many the old ideas of patronage and favour retained the foremost place. The most absurd and preposterous overestimate was still, in his day, placed by "patrons" upon the value of their services, which to a great extent were admitted, verbally at all events, by those who were in truth the benefactors, though the theory and language of servility was probably far more perfect than its practice. The counter assertion, highly exaggerated as it unquestionably is, might have had its use at the time. Still, we must admit that we

cannot but regret that such expressions as those which we have quoted should ever have been written; for though there is no danger of their misleading political economists, they certainly do tend to disseminate very erroneous notions regarding political economy.

But to return. The science of political economy directly treats, as we have already said, of wealth in its various forms, and of the laws which regulate its production, preservation, and distribution; but when the subject is fully considered, it will be evident that a right understanding of these laws, not only does not imply any neglect of higher principles, but is essential to secure the due subordination of the material to the higher interests of mankind.

The lowest forms of wealth are food, clothing, and shelter, and, indeed, these in several degrees of perfection do, and always will, constitute a large portion of the wealth of a nation. Now are not these things—absolutely necessary for our sustenance—just what men in all conditions and in every age have been anxious to obtain and enjoy—while in all conditions, and in every age, they have been most desirous of evading, as much as possible, the labour and toil of producing or procuring them. It is no mere question between rich and poor. The truth is of very wide and general application. No man is more willing and contented to be fed at the expense of others than the habitual pauper. Whether it be to live a life of brutish idleness, or enjoy the most refined pleasures of the sense and intellect, or engage in the sublimest contemplations of religion, men are equally prone to try to evade the irksome toil of getting their own living, in the sense of supplying for themselves the necessaries for their bodily existence. We fully admit that freedom from bodily toil is a legitimate object of desire—nay more, that it is essential to the advancement and well-being of a Commonwealth that some of its members should be set free from

manual labour to devote themselves to higher pursuits. The question is, How can this be done justly? What are the laws which should regulate the interchange of services between man and man? It was very arbitrarily and summarily disposed of in former ages. It appeared obviously necessary that there should be slaves to work for free men. That the Almighty had ordained that some should labour and others enjoy the "natural" increase supplied by His bounty, was the belief commonly held in later times, though we must not forget that its injustice was tempered by some admission of the great truth that all were responsible to the Giver for all whatsoever they received from Him. But the doctrine is not true. Its fallacy is demonstrable. That all mankind, and each and every one of us, should render constant thanks to God, the Great Creator of all good things, is most true. It is also true that the value of all things is based upon their utility—upon the adaptability of the properties with which they are endued to the uses of man; but it is *not* true that the free gifts of nature have inherent value of that kind which one man can be said to exchange with another.

Political economy demonstrates the true basis on which men can interchange with each other the material products which are "necessary, useful, or agreeable," namely, labour—voluntary labour, for slavery and monopoly; the unjust appropriation of man's labour or God's gifts are equally subversive of its tenets. The true solution of this question is an incalculable boon, obscured and complicated as it has been by the prejudices, usurpations, and selfishness, and even the religious convictions, of ages. There is, perhaps, no stronger indication of the utter hopelessness with which the social condition of society during the last century was regarded by some French writers of no mean powers, than the morbid admiration expressed for savage life, and the unnatural craving for a false and artificial simplicity. Had

the evil been merely the open aggression of power—the oppression, however grinding, of one class by another—the indignant protest would have been against the tyranny under which they groaned; but they felt not only that the state of society was rotten to the core, but that they knew of no principle upon which, even in theory, it could be reconstructed. Let us endeavour to trace what the doctrines of this so-called science of universal selfishness have done for us.

In the first place, they demonstrate the great principles that the fruits of labour can only be acquired in exchange for the fruits of labour. Labour must be paid in kind. Here is the practical recognition of the truth that God's good gifts are free gifts for all mankind. What men procure of or from them by their labour, they may save or squander, enjoy during their own lives, or bequeath to their children after them. It sets at naught the aggressions of power and privilege on the one hand, and on the other, many crude theories and claims of rights set up by the thriftless, the ignorant, and the selfish, and certain of the indiscriminating advocates of the characteristically helpless and dependent, as against the striving, helpful, diligent, and independent. The *right* of those who cannot, or will not, find out the way to do useful work in the community, to share unconditionally in the fruits of its labour, is denied; but the *duty* of society towards all its members is in no way contravened by any of its doctrines. The subject is simply one which does not lie directly within its scope.

It teaches no communism between idleness and industry, between thrift and waste; but it recognises the value of all kinds of mental or manual labour, and the difference in the value of all the various degrees of skilled, unskilled, or partially skilled labour, as applied to material objects, although it makes no rash attempts to define those differences.

Its object is to discover and set forth, without regard to

interest or prejudice, the strict laws of justice which should govern the interchange of those things which all men desire to possess. It makes no laws of its own, but lays open the working of those inevitable natural laws from the obligation and operation of which there is no escape.

We must now consider how the recognition of the general principle, that men should be left to the guidance of their own views of their own self-interest, bears on our present question. The object desired is to secure justice for all by the best means that can be devised, especially in matters relating to those physical wants and desires which all men have in common. The people concerned must be considered as independent; not equal, speaking generally, but having a right to be on an equality as regards the products and services to be mutually interchanged. We must assume that they have all attained to a certain degree of intelligence, and have such a measure of reverence for the laws of justice, as suffices to enable them to live together in the main as good subjects and citizens.

As a general rule, each man will know best what his own interests require, and the question is narrowed to this:— Shall we leave men to follow their own interests, which they best understand themselves, subject only to the control of the laws applicable to the ordinary dealings between man and man, and to that free competition which, by leaving *every* man free to exchange his products or services with those who will accord him the most liberal terms, puts a check far more efficient than any law could apply on an unjust attempt by *any one* man to act against the interests of the society to which he belongs? Or, shall we appoint some naturally as selfish, and with far less knowledge, to decide in what way the true interests of the community can best be consulted, and control, organize, and regulate the industry of the nation? It may be urged that men may be so appointed as to be free

from the temptation of gain. Grant that it be so—that they will not attempt by illicit means to get too much money for their work; but what security can we have that they will not give too little work for their pay? To those so placed, as individuals, and especially as a class, no temptation could be stronger than that of making their work fit their inclination or capacities, while the prosperity of the country would be made dependent on their efficiency to keep pace with every invention, and every discovery brought forward, and requiring their co-operation. Those who have in any degree realized the infinite variety and complexity of the divisions of labour, and the diversity of interests in a civilized country, will know that the latter alternative is so utterly impracticable, that it would be a mere waste of time to discuss it. It would, in fact, lead to the establishment of numerous theories, but practically render it impossible to test their truth by actual experiment. The every-day acts of free men would be impossibilities to so cumbrous an organization, alike subversive of enterprise and energy.

But does the former alternative, which all political economists so generally advocate, really give any new licence to selfishness? By no means. The selfish man's desire is that his own interests should override those of his neighbours, and of all things he would like to decide for others what is best for them. This it is that the doctrines of political economy do not allow. Its true teaching is that every man is to act, and, by necessary implication, every man is to allow his neighbour to act, according to his own wishes and inclinations. It is not any man's selfishness, but every man's self-interest, that is to be considered. Here we come on clear ground. Men being selfish will, no doubt, act selfishly; but they can no longer do so under any specious pretexts of protecting or guarding those who do not want their services. The vice is not increased; but it is more exposed. It is

impossible under any system to prevent a clever, grasping, unscrupulous man from overreaching his neighbour, if he can do so without breaking the letter of the law; but he is more than ever open to all the moral agencies that can be brought to bear to control him, and, unless public morality be hopelessly depraved, exposure is the first step to the reformation of vice. Evil cannot bear the light. All, in short, that this law of justice *compels* a man to do is to recognise his neighbour's self-interests. With his own interests he is entirely at liberty to deal according to the best dictates of his conscience.

Any doctrine that may controvert, or seem to controvert, this, is no true part of political economy, the real teachings of which in no way contravene the "golden rule."

But there is a strange perversity in our human nature. The Christian precept, "*Thou* shalt love thy neighbour as thyself," is eminently *personal*. The doctrine of political economy to which we are referring is most essentially *general*. But the personal truth is too often accepted generally, while the general truth is taken personally. No one is more ready than the thoroughly selfish man to exact from his neighbour the observance of so excellent a precept—indeed, it is well if *his own* self-love be not made the standard of his neighbours' duty. "*My neighbours* should love me as *I* love myself," seems to be the practical belief of not a few, who, with a consistent contrariety, never for a moment doubt that *their own* is the only self-interest of which the consideration is required to satisfy the *general* principle. No accusation was ever put forward with so little discrimination as that which charged political economy, as a science, with encouraging the principle of moral selfishness.

It is but a trite remark to say that the most grasping and selfish men are most prone to accuse others of selfishness and ingratitude; but it is very true, especially where, from any

accident of position or precedent, a fair-seeming claim can be put forward. The fault is general: belonging to no class, but to human nature, and there is very urgent need for far greater discrimination than is commonly exercised in judging of it. We all naturally, and to a certain extent rightly, sympathise with the weak wrong-doer against the strong wrong-doer, especially when the superior power restrains and prevents the actual committal of the wrong designed against itself; but this sympathy must be kept within due bounds, and strictly subordinated to higher principles, or the influence of the general opinion of society upon the disputes which, not without strong reason, will from time to time arise between classes from a misconception of mutual rights, will be in the last degree mischievous; tending to prolong and embitter feelings of animosity on both sides, or to set wrong against wrong, instead of bringing the weight of its influence to assert those claims of justice which can alone be compatible with the true interests of all in their permanent relations to each other.

There are, moreover, many cases in which selfishness, or an undue regard to mercenary motives, are very thoughtlessly and unfairly imputed. It is, for example, not uncommon to hear good and useful work actually disparaged and contemned, on the ground that the motive is only an enlightened or far-seeing view of self-interest. Now, on this it may be remarked, that if the course of action advantageous to a man's neighbours be also most advantageous to himself, all reasons combine to make it imperative on him, as a reasonable being, to follow that course; and in regard to it, he is at least doing good service to society, even though he may be justly described as characteristically a "selfish" man. If, however, he be a man of just and liberal sympathies, he is doubly bound to the same course, for he is both doing good within his sphere of action, and better enabling himself to be useful beyond it; and, moreover, the good a man in a higher position

can do to his poorer and weaker neighbours, by managing to reciprocate services with them, tends, more than anything else can do, to lead them on to the inestimable blessings of personal independence.

Indeed, only false association of ideas, arising from a morbid asceticism, or an imperfect recognition of the higher duty of raising our fellow-men—not in theory or by assumption, but actually and morally—could blind any who are truly desirous of the welfare of their fellow-creatures to the real utility of action which could be so designated.

It is, no doubt, true that a man may make a merit of what has cost him nothing, and his false claims on this account may render him contemptible; but actual experience proves that very few will act, from motives merely selfish, on what are called enlightened views of self-interest. Practically, it is so very much easier to work in the old ruts than to change them, that it is very rarely for the interest of the individual to take up new improvements from such considerations. Even though in the undertaking so dealt with there may be some direct pecuniary gain, it is almost invariably obtained by an expenditure of time and labour wholly disproportioned to the advantage; while at first, at all events, this apparent profit is counterbalanced by the accidents to which men doing work in a manner to which they have not been accustomed are specially liable. When these difficulties have been overcome, society is benefited, and the improvement achieved is a material addition to the resources of the country; and it is no longer an "enlightened and far-seeing," but the "ordinary" view of self-interest, which prompts men to adopt it equally, whether they are characteristically "selfish" or "unselfish." But the former will not be found too forward to follow new views or methods. If selfishly luxurious, they will spend their time and energies in pleasure; if desirous of gain, in money-getting; if ambitious, in the pursuit of power and

influence; but, as all workers know very well, both time and the power of exertion are limited, and must be economized and used only for the objects really desired, whatever they may be, quite as much as money, or any other material advantages; though not the idle only, but those who may be said rather to exercise their faculties than to work, are apt to set a very light value on "time and trouble."

Again: it is not uncommon to hear a lament on the low and mercenary motives which actuate mankind; because, while they submit to indignities and insults and cruelties, they rise in rebellion when their substance is wrongfully taken away, or an oppressive tax imposed. Their consciences, it is therefore argued, are in their pockets, and they love their money more than their honour and liberty. The antithesis is telling: but the inference is, at best, very shallow. The wealthy may, and indeed generally will, pay money sooner than expose themselves to personal indignity; but the question wears quite a different aspect to the so-called labouring classes, and those immediately above them. They see before them, and realize practically, that life is supported by the fruits of labour—that taxes are really paid out of the fruits of their labour. Thus, for example, the collectors of an oppressive poll-tax would appear to the people, not only as binding them down to toil for which they receive no equivalent, but as threatening them with a life of ceaseless and hopeless labour, as insufferable as slavery itself. The increased share of the necessary burdens of life destroys at once their means of enjoyment or improvement, or of accumulation. They are unjustly overweighted in their struggle against natural difficulties, and thus placed in a condition in which freedom and independence are impossible to them. Those who are so placed that they take their food and clothing as matters of course—as freemen surrounded by their slaves might do—must know, but, nevertheless, do not

realize, the inexorable conditions under which that physical life is maintained on which depends our higher and intellectual existence.

Selfish and mercenary motives also are constantly attributed to those who in any way differ from or oppose them, by the sanguine and extravagant—by those especially whose feelings of pity are easily excited, and who readily sympathize with distress, but are not quite so ready to practise the self-denial necessary to enable them to relieve it; but the self-denial of a neighbour looks so easy and simple! Men with large and vaguely benevolent ideas, but limited powers, are very apt to dislike having their schemes brought to account; but then their quarrel really is with the uncompromising rules of simple arithmetic, which demonstrate that the limited means assigned cannot achieve the great objects desired. Charlatans of all kinds have, naturally, an instinctive horror of all such unimaginative tests. Then again, those who spend more than their incomes, although their expenditure itself may be of the most unobjectionable, or even praiseworthy, character, very often come to regard their creditors as a most reprehensibly mercenary race. But, in fact, nothing can be better matched than the overreaching tradesman and the thankless spendthrift: the one wants to get too much money for his goods—the other too much goods for his money. They are clearly of the selfsame species, developed under different circumstances. But, apart from such errors as these, there is often a want of clear perception as to what "mercenary" motives really are. Many would persuade themselves that they have a high-souled contempt for wealth, when their true feeling is only a disguised scorn of poverty: they have the keenest relish for material enjoyments, and, it may be, even more, for freedom from material cares; and what they really contemn is the necessity for purchasing such advantages by exertions of their own. There are many

things of which money is the best, indeed almost the only, practically efficient test: and there is too much reason to suspect the sincerity of those who will not bring their schemes, in so far as they relate directly or indirectly to material objects, to the proof of a valuation by money where it can be fairly applied. Those who are truly and wisely in earnest will count the cost of their undertakings: and it is the sign of a practical and thorough-going, not of a sordid mind, to estimate in money the value of all things which can be best measured by that standard. The real error—and none can be more degrading and pernicious to an individual or to a nation—is to ignore or depreciate those higher things, the worth of which can in no way be expressed either in money, or in those material possessions which money most fittingly represents. Nevertheless, it must constantly be borne in mind that every man has daily wants and necessities, which are material and properly referable to this monetary standard; whatever is required or used, for the physical enjoyment alike of the most ignorant or the most intellectual of men, is best and most truly measured by it. The difference, and an incalculable one it is, being, that while the material considerations so represented form almost the whole life of the former, they are a very subordinate part of that of the latter; but, in virtue of superior knowledge, power, and intellectual strength, no man has a right to claim that another shall bear the weight of supplying his physical needs. An interchange of services must be made on fair and, as far as regards these inferior matters, equal terms. It is no levelling doctrine that we advocate. The end desired is the advancement of all. If the lowest class could, by a word, be made equal to what the highest is now, would the world be the better that the latter had remained stationary, and not advanced in equal degree? The equality that can really be the best good can only be attained by the absolute perfection

of all. Progress towards that end can neither be gained by pulling down the higher to the level of the lower, nor by the higher leaving the lower behind, casting away the moral burden of them, while taking the fruits of their degraded labour. Does not all history show that civilization cannot be built up on so narrow a basis? There is no such thing as equality among men, either in mental or physical capacity. Inequality and diversity in this respect is the law of nature, which it is impossible to deny, and absurd and most mischievous to ignore; but this affords only the stronger reason for strictly studying the principles which show how things, having value, are equitably to be interchanged between those of unequal power.

It is, in simple truth, the rigid and inexorable impartiality of the justice inculcated that gives offence. There is so much false association of ideas regarding the old ideal relation between patron and dependent, liberal master and grateful servant, that it is particularly distasteful to have it shown that the liberal patron has, perhaps, been giving rather less than his due to the grateful dependent; and even where the liberality has been without stint or measure, as far as regards substantive remuneration, it may be not the less grating to find that an uneasy gratitude coldly owns the favour, and hints that the greater part of the reward is but the rightful wage for service rendered. The spirit of gratitude has not died out of the heart of the man, but a nobler spirit of independence is animating him, and he can no longer be content to rely on another for support or favour. The old and lower relation between rich and poor, strong and weak, is passing away—a new and higher one is succeeding to it. The kindly feelings associated with old ties may be broken, but only to be formed again more truly and strongly, as the new and truer sense of mutual obligation becomes habitual. The first assertion of independence, no doubt, does lead to heart-

burnings and strifes; but who would maintain that the condition of independence was less favourable than one of servitude, under whatever form or disguise, for the growth of hearty goodwill between man and man, however unequal their conditions in life may be.

Or to take another view. Almsgiving has always been regarded as a sacred duty; the sick and afflicted, the widow and fatherless, are the fitting objects for its exercise. It is a virtue which appeals directly to our best feelings, and it is one the necessity for which will exist as long as humanity itself. In a very primitive state of society, almsgiving, with the kindly feelings and sympathies which should accompany it, may comprise very nearly the whole of the duty which the rich owe to the poor; and in every community there will be some truly poor and helpless ones, to whom alms and sympathy are all that can be given. We intrude this preface to guard against the charge that higher principles are professed with a view to escape from such simple and practical duties: their obligation is fully admitted—we would add to, not detract from them. And when we consider pauperism as distinguished from casual and accidental poverty, we find that the mere gift of alms does but increase the mischief, and degrade the receivers more and more from the rank of free and independent beings. The wealthy, especially those who have inherited wealth and can give from their superfluity, are often slow to perceive the danger and magnitude of the evil of a class growing up in idleness and helplessness, losing not the power only, but even the will, to support itself, and preying on the industry of the country. It is the struggling, but yet independent, poor who are most exposed to peril from this source; and it is evidently an equal wrong to industrious producers of all classes whether the fruits of their toil are taken away by the idle and powerful rich, or by the idle and wilfully helpless poor. Indeed, the latter is the more

serious evil of the two; for the hopeless, helpless apathy of unchecked pauperism is the worst canker that can assail the welfare of a State. Independence, it is true, can only be conceived of, in a civilized country, as consisting in mutual dependence. But the dependence which we have just characterised is not mutual. It is supported, but does not support; it receives, but gives back nothing. Little though it be that it may receive, at best it renders back still less; and the habitual pauper is miserably dissatisfied, not at his degraded condition as living on the fruits of others' labour, but because he cannot prey more largely on it. God forbid that any class should ever be neglected or trodden down in England, or that mercy should turn a deaf ear to the cry of distress!—but justice and humanity alike reprobate the idea that men should be suffered to remain contented with such a position. Our imperative duty is to leave no means untried to raise them from it. To restore such to their true dignity as men is an aim of a far higher and more difficult nature than to supply their merely physical wants; and it must be carried out at a far greater cost than that of money only.

The hardest step of all is probably that from the lowest class of all, into which men, as a rule, fall only by a persistent course of vice; or, sadder still, it is that the consequences of the parents' sin have fallen heavily on the children, who grow up with moral and intellectual faculties alike dwarfed and perverted. The difficulty is, on the one hand, to arouse the dormant faculties, strengthen the vacillating will, and awaken the conscience to a sense of higher duties and responsibilities; and so great is the difficulty, that it gives rise, on the other hand, to doubts as to the possibility of real success. The knowledge of evil is a bitter fruit—too often a subtle poison. Even prudent and unselfish men dare not incur the risk of trusting to a newly, and, it may be, partially acquired virtue; the danger may be imminent to

others around them, though not to themselves. The task is beset with danger. We may despair of moving all this vice and ignorance in a mass, but we may hope to open out paths for the return of all in whom a hearty desire for amendment can be excited. May all honour, and the help of Him who alone can order "the unruly wills and affections of sinful men," be with those who have devoted themselves to so holy a task! The common law of the land can do nothing to meet the evil. Our object must be not merely to instruct, but by every means in our power truly to educate, to draw out, the mental and moral faculties. We know well that there is great danger in over-governing people. Treated as children they remain as children; but still the existence of true liberty implies the adequate power of self-government. To take an extreme case. Liberty to the savage, mixing freely with a civilized community, is death. He can ape the vices, but cannot attain to the virtues, or power, or self-control of the more vigorous race; and those vices, which are but a part of the stronger man, absorb, as it were, and enslave him altogether. Experience has repeatedly shown that his destruction is certain, unless some pitying hand be stretched out to control and save him. How far the functions of Government ought to be extended in dealing with the class alluded to is another question. There are exceptions to our civilization so large as to justify, in the opinion of some of the most ardent advocates for liberty, an extension of exceptional legislation to those neglecting the primary obligation of providing education for their offspring.

An undue regard for uniformity may lead us to the neglect of duties, which might be obvious were not theorisers too apt to ignore the existence of inconformable facts. All are agreed that we cannot rest satisfied with merely feeding paupers and repressing crime. The only question is, how far larger governing powers, and the weightier reponsibilities attaching to them,

should be assumed. Placed as they are, these men are not our equals. The obligations of duty, rather than those of reciprocal rights, extend towards them. The requirements of true charity will, we venture to think, be best met by the State adopting measures with regard to them, more arbitrary in form, and more paternal in spirit, than those adapted to the requirements and feelings of truly independent men: give them the help they require, morally as well as physically, to enable them to help themselves. Do not cast off the weak, but—as far as aid can be given in a work so essentially personal—aid them gradually to work out their own independence, until they can truly rejoin the class morally so far above them; aid them in rendering obedience to those inevitable natural laws, a willing submission to which is the very essence of human freedom.

The work is one in which all can join. Indiscriminate almsgiving is but a half duty, which, like a half truth, will often be productive of the worst and most aggravated evil. Even natural sympathy must be controlled and made subordinate to higher objects. Those especially who give from religious motives, and feel that they are responsible for the use of all they possess, will do well to consider how they can stand excused for spending God's tithes with less care, forethought, and consideration, than they would bestow on their own temporal investments; moreover, a want of discrimination between those who, through apathy, wilful ignorance, and idleness, sink into the condition of paupers, and those who are overwhelmed by external misfortune, is the most cruel and bitter injustice to men who, however deeply plunged in poverty, we need not blush to call our fellow-workers.

Political economy holds the balance with strict justice. Stern realities are shown alike as they regard rich or poor. There can be no question about rights. "If any would not work, neither should he eat," was the precept of an Apostle

zealous in good works and charity. Speaking strictly, a man cannot live on the benevolence of another—he must live on the fruits of others' toil.

To return again to those who are manfully taking their part in the common work of the nation. The assertion of the love of independence is no vainglorious boast with them. Though not always pure and well enlightened, the feeling among us is strong, genuine, and very widely diffused among all ranks of men engaged in the different grades of industry. There are very many men, and communities of men, in this country thoroughly helpful; they do not want to be aided; they have to struggle hard sometimes, but are anxious, above all things, to pay their own way, and get what they believe to be their own just rights, and do what they know to be their duties, without coming under obligations to any one. We do not say such men are free from the taint of selfishness common to human nature. The worst form of a vice will sometimes appear under circumstances that very materially check its general prevalence; and the love of independence may be a temptation to the basest kind of selfish meanness, which denies an obligation rather than acknowledge a debt of gratitude. Still, even if no higher principles are at work, the constant mutual intercourse of independent men must put the greatest possible check on the overweening regard for individual interest to which all men are prone.

Such considerations as these should inculcate charity, and, above all things, a just discrimination in attributing motives, especially where that which is done, or desired, is not obviously opposed to justice and sound reason. This true charity of judgment becomes more and more essential as the divisions and organization of labour become more and more complex and extended, rendering it difficult, indeed impossible, for any man to master the details and exact condi-

tions under which others are working, although his interests may be intimately connected with theirs. But though it is difficult, and seldom desirable, to master the details of more than one trade, business, or profession—and, we may add, science—a correct knowledge of the general principles which govern the labours of others, especially of those engaged in cognate pursuits, is of very great utility. There is a very great difference between general knowledge and superficial knowledge, the latter consisting of merely an acquaintance, more or less accurate, with casual facts relating to a subject—the former requiring the comprehension of the laws and principles to which the phenomena belonging to the subject are referable: the latter frequently a useless burden on the memory, and giving that "little knowledge" which the proverb in this sense truly says "is a dangerous thing"—the former enabling the mind to take an intelligent and liberal interest in the pursuits and affairs of others.

This general knowledge is especially essential where different sections of a community, having each separate and distinct interests, are yet bound together by paramount common interests, and are consequently mutually dependent upon each other, though viewing their interests from different standpoints. It is extremely difficult for any one section to estimate fairly the relative value of its own services, as compared with the services of those who are thus associated with it. A sound acquaintance with general principles, however, will enable all to exercise a fair and correct, though not an exact or precise, judgment on questions thus arising, and is the best security against the opposite errors of too overweening a confidence, or too suspicious a caution. This, indeed, is all that can be attained. It is evident that if every man is to check, in detail, all the results he receives from others, there can be hardly any advantage derived from the division of mental, and but very little from that of mechanical labour.

If there be no ground for mutual trust, there can be no possibility of mutual co-operation. If common sympathies be not cultivated, we lack the best means by which men can be brought to work together with that full harmony of will which alone gives full scope to their united powers. If we may venture a word of advice in homely phrase to all true workers, it would be, "Keep your head clear for your own business, and your heart open to your neighbour's claims." Truth and goodwill are more essential than even liberty itself for true progress: and the advancement of material civilization, without a corresponding elevation of the moral and higher intellectual faculties, results only in an unbridled competition for mere money-getting, tending rapidly to a state of anarchy fatal to the better interests of mankind, and wholly incompatible with the permanence even of those material advantages to which an exclusive importance may be assigned.

We shall now proceed to allude generally to the leading doctrines of the science of Political Economy, endeavouring to show that their observance is absolutely necessary for establishing a community of free men on a just and solid basis, referring as they do to the necessary conditions of our existence as ordained by inexorable natural laws—that the rules laid down are strictly in accordance with those higher principles by which our conduct, in these as in all other matters, must be guided. It will be seen that in no sense can it be considered a science for "getting wealth," that mutual truth and trust are the great principles on which our vast industrial fabric depends, and that the true principle of competition, so terrible a bugbear to some, is to material very much what discussion is to speculative objects—the best

means we have of arriving at true results, though both the one and the other are liable to abuses which are, in fact, essentially of a very similar nature.

Further, an endeavour will be made to analyse wealth, and elucidate the conditions under which it is held by a nation, or by individuals; and it will be found to be, indeed, a most important, but one only, of the resources necessary to make a nation great, and that, while it may and ought to be a power of incalculable value and utility, it is so only when held subordinate to higher principles, and used as means to higher ends.

IV.

THE LAWS OF INTERCHANGE.

VALUE.—DEMAND AND SUPPLY.—RENT.

Definition of the Science of Political Economy—Restricted to Material Objects—Some Reasons for this Restriction.

VALUE.—Definition—Exemplified—Effect of Inventions—True Cheapness—Natural or Artificial Monopolies cause Exceptions—An equal Power of Labour assumed—An Instance of the Way in which Labour is unconsciously recognised as the Basis of Value—Vulgar Idea of Wealth comparative only. *Productive and Unproductive Labour*—Exemplified—Natural Limit to the Utility of the former—Value of Works of Art, Books, Rarities, &c.—Surplus Labour only may be applied unproductively—Application—Higher Value of the Services of those who direct Labour—Conditions under which Value is maintained—Services of Retailers—Recapitulation—*Taxation*: its general Operation as affecting Value. [P. 115.]

DEMAND AND SUPPLY.—"Value" and "Price" defined—Exemplification of the Law—Price restricted by Free Competition—How Demand rules Supply—How Value is ultimately governed absolutely by the Quantity of Labour necessary for Production—Benefits derived from Inventions exemplified—The great Difficulties with which we have to contend are those of Distribution—Frauds and Adulteration—The Duties of Society as "Consumers"—Imperfect Working of the General Law—Fluctuations of Price are not in the Ratio of Demand and Supply—Modifications of the Operation of these Laws among different Races. [P. 130.]

RENT.—Definition—Exemplified—Will inevitably accrue under certain Conditions, though it may be wasted or absorbed by Taxation—Eventually will become the Basis of a distinct Charge—Effect of opening better Sources of Supply—Adjustment of Value—Capital as the Property of a separate Class, not an essential Condition to Rent—Rent arising from the Employment of more Labour on the same Soil—Constant Operation of the Law—Objections considered—Rent of Mines—Exceptional Charges resembling Rent. [P. 146.]

Application exemplified—The Supply of Cotton from India—*Laissez-faire* no Maxim of Political Economy.

IV.

THE LAWS OF INTERCHANGE.

VALUE.—DEMAND AND SUPPLY.—RENT.

POLITICAL ECONOMY is defined as "the science of the laws "which regulate the production, distribution, and consump- "tion of the products and services necessary, useful, or "agreeable to man, which it requires some portion of volun- "tary labour to produce, procure, or preserve." *

It is of very great importance to bear this definition in mind, as it is alone sufficient to show that many of the absurdities that have been imputed to, and many of the extravagant and overstrained conclusions which have been drawn from, the study of the science, both by its admirers and opponents, have in reality no foundation whatever within it, but arise from a misapprehension of its objects, or the misapplication or perversion of its tenets.

The science has, moreover, been confined even more strictly to material objects than is implied in the definition given. On this point Mr. J. S. Mill writes: "In applying the term "wealth to the industrial capacities of human beings, there "seems always, in popular apprehension, to be a tacit refer- "ence to material products. The skill of an artisan is "accounted wealth, only as being the means of acquiring "wealth in a material sense; and any qualities not tending "visibly to that object are scarcely so regarded at all. A "country would hardly be said to be richer, except by a

* Encyclopædia Britannica, Art. "Political Economy," p. 210.

"metaphor, however precious a possession it might have in "the genius, the virtues, or the accomplishments of its inha- "bitants; unless, indeed, these were looked upon as market- "able articles, by which it could attract the material wealth "of other countries, as the Greeks of old and several modern "nations have done. While therefore I should prefer, were "I constructing a new technical language, to make the dis- "tinction turn upon the permanence rather than upon the "materiality of the product; yet when employing terms which "common usage has taken complete possession of, it seems "advisable so to employ them as to do the least possible "violence to usage, since any improvement in terminology, ob- "tained by straining the received meaning of a popular phrase, "is generally purchased beyond its value by the obscurity "arising from the conflict between new and old associations." *

The wealth, therefore, of which political economy treats is material wealth only, and the labour applied to its production is alone called "productive;" but the labour so designated may be applied, either directly or indirectly, for the immediate production, for the protection and conservation, or to the acquisition of skill and knowledge designed ultimately for the production of material wealth.

The authority of Mr. Mill may well be received as conclusive on such a point; and there are some strong considerations in favour of the generally received distinction of materiality, rather than that of permanence. Many kinds of food for instance, which unquestionably form a very large and most important item of wealth, not only perish in the using, but are in their nature extremely perishable—decaying, indeed, almost as soon as they become fit for the use of man. But there is another and, we think, a far stronger reason in favour of the convenience of excluding immaterial advantages,

* Principles of Political Economy (5th Edition), by J. S. Mill, book i. chap. iii. sec. 3.

however great and permanent. The common measure of value for material objects is money, and, on the whole, it must be admitted to be a very fair and sufficient means by which the value of one form of wealth may be estimated as compared with others; but this is notoriously far from being the case as regards moral and intellectual attainments, by means of which the most solid and permanent advantages may be conferred on mankind. On the contrary, to take an example from the price given for books; no one supposes that the profit arising on their sale is in any kind or way commensurate either with their utility, the labour expended upon them, or the permanence of their effects upon the interests of humanity. Viewing a book as the material work of the printer, the binder, and the publisher, it is interchangeable for other products of labour according to the laws which govern the distribution of any other kind of material wealth; but regarding it as a product of mind, neither money, nor those things which money fittingly represents, can be taken—at all events, in the present state of society—as a measure of the value, especially of the highest order of work most calculated to endure through all ages. And it is evident that, as long as we have still onward progress to make, this must always be the case. It is impossible that the bulk of mankind can immediately estimate the value or permanence of the effects of either thought or of action, the motives of which are in advance of their capacity. Common opinion rightly refuses to apply the measure of material value to such labours as those of the poet, the statesman, the philosopher, or the philanthropist, not because that measure is false or untrue—for the material wants and desires of the highest as well as of the lowest are equally represented by money—but because it is manifestly inadequate for so high a purpose; for power to deal arbitrarily and unjustly with material interests is to introduce, under whatever name or disguise, one of the

essential conditions of slavery. Regarding only material interests, with whatever success the pursuit of them may be followed, we should be no better than polished savages, and subject to all that radical weakness and liability to decay which characterize savage races, and quickly degrade in all things to their level.

There are, it is true, kinds of mental work which may be very fairly valued in money only; and it would be very difficult, for example, to show any real distinction between the nature of the work of a man who would indifferently write for publication, or engrave copper rollers to be used in printing calico, in both cases merely to suit a passing popular taste, though in the one instance the results would fall beyond, and in the other within, the definition given. But no practical inconvenience results from the resemblance of extreme cases, meeting, as it were, on the twilight borders of a subject, and we need the less object to the restriction, as it by no means sets limits to the utility of the science. The principles demonstrated and elucidated within, may be applied beyond it, and, though it is very true that the strongest inferences drawn from analogy cannot be received as absolute proofs, yet a clue given is easily followed, and the necessity imposed of careful examination and comparison of the data and generalizations on which an argument rests, is in itself an additional safeguard against the introduction of error.

But, admitting these restrictive definitions, it is not the less evident that the true object of political economy is not to elevate and exalt material interests in the estimation of mankind, but to subordinate them; to endeavour by skill and discipline to reduce the amount of that labour necessary, according to the inexorable laws of nature, for the preservation of our lives and health—in short, of our physical existence, on the well-being of which our intellectual capacity and temporal happiness so largely depend. Above all, to

subordinate them, with a due regard of justice, so that no class of men, or—we would say rather—no man in any class, shall be perpetually restricted to the lower kind of labour for any reason less cogent than his inability to perform other service in the community of which he is a member; or be compelled to exchange his labour for that which, although perhaps of higher intrinsic value, is of no value to him as lightening the toils with which he is burdened.

But it must be remembered, that political economy makes no direct attempt to decide on the value which ought to be set on the various products of industry. By showing clearly how, and to what extent, labour is bestowed on various objects, it facilitates a comparison between the value of different commodities and services, and thus, indirectly, is very useful in enabling men to estimate the comparative worth of objects the most dissimilar, and wholly unconnected by any common association of ideas. It is the laws which regulate the interchange of services and commodities, not those which should determine the estimation in which they are held, to which we must now direct our attention. We shall now proceed to advert as briefly and concisely as possible to the definition of the terms used in the science.

Value.—The word value has two meanings. The one, value *in use*—the other, value *in exchange*. The former in no way implies the latter. The latter, though it implies the former, is derived not from the utility, but from the labour required to make the utility available to mankind. The strict limits of the science are unmistakably indicated by the fact that value in exchange is the only value treated of in political economy. The meaning of the terms will be best shown by a simple example. Water is more than useful—it is necessary. But men living on the banks of

a river will not give anything in exchange for what they can readily obtain, without any trouble, for themselves. Should they, however, have occasion to remove to some distance from its banks, the least that any one could expect who spent his day's work in carrying water, would be, that those whose thirst he quenched should give him, in exchange, that which would satisfy his hunger. The water has thus acquired a value in, or for, exchange. In justice he should receive an equal share—that is, a share in fair proportion to the amount and quality of his work—of the products enjoyed by those to whose support he has contributed. Should, however, the water-carrier betake himself to men in boats, although his labour would be the same, it is evident that no one would be likely to give him anything in exchange for it; not because the water was less useful, but because there was no utility in his labour. It is the utility of the labour, not that of the object on which labour has been bestowed, that has given "exchange value."

The introduction of machinery, and of that organization of labour which may, in some sense, be said to be a higher kind of machinery, modify, but by no means change the principle stated. To follow our example further. We will suppose our inland labourers to have become a settled community—thriving, it may be—subsisting, at all events, by their labour; still, with the drawback of having to send to some distance for their supply of water—and we will suppose one man in every ten to be engaged in procuring it. If the whole body, therefore, consisted of one thousand men, one hundred would be at work to get water, and nine hundred only available for other productive labour. These latter would each have to give one-tenth part—that is, the product of ninety men's labour in all, to the one hundred water-carriers, to put all on an equality together; so that every one would have the equivalent of nine-tenths of a man's labour to use for other

purposes, and that of one-tenth would have to be given up by all alike for water.

Now, if any one were to invent a machine by which fifty men could supply all the water required by the community, so that fifty could engage again in other kinds of productive industry, we should then have fifty employed in supplying water, and nine hundred and fifty on other things; and a contribution of one-twentieth, instead of one-tenth, would put all on an equality as before, and all would receive a like benefit from the invention. If they had worked for ten hours a day, spending the produce of one hour's labour in water, now having only to expend half as much, or half an hour's work for the same purpose, there would be a clear gain of half an hour's time to every member of the community, which they could employ in any manner they chose.

The labour required to work the new machine would, probably, be no greater—indeed, would most likely be less, than that previously required from each man when unassisted by it; it is assumed, therefore, to be equal.* So the water-carriers would have no claim whatever to benefit in larger proportion than others. The inventor, indeed, might fairly claim a larger share; but sooner or later his invention would become common to all—the property, first, of the community, and eventually of the world at large. Now, if we suppose the other nine-tenths of the community to have been equally intelligent and fortunate, and to have invented modes by which the efficiency of their labour would also be increased in a like proportion, and under the same general conditions, we should have the results of labour doubled; but as labour is the basis of all value in exchange, one man's work would be exchanged with another man's work

* It is also assumed that the fifty men could not only supply the water, but have time to make the machines they required; but it is useless to complicate the examples by too great a particularity of detail.

in just the same proportion as before. Nor will the case be different if we suppose, as indeed is the most probable course, that some branches of industry had received greater assistance than others from inventions. To whatever extent labour was set free from the employments so aided, it might be otherwise applied; and it is evident that the products of that labour should be so much clear gain to the community. Probably, but not necessarily, its wealth, and certainly its means of acquiring wealth, would be increased, though the aggregate exchange value of that wealth, as measured in men's labour, would not be altered. The utility of labour thus increased by artificial aids does not constitute the measure of exchange value, but the *quantity* of labour, irrespective of such aids. Commodities, therefore, the production of which has been facilitated by inventions in aid of labour, are given in just so much larger proportion as the aid received has, directly or indirectly, saved labour.

It will be seen from this that inventions have no very certain, nor, still less, any permanent value "in exchange," when they are thrown open to the public, and all are permitted freely to use them. It is the general body of consumers, not makers or procurers of commodities, that are certainly or permanently benefited. The result of this increase in the effective power of labour is true cheapness. That is, the consumer gets a greater value in use for a small value in exchange.

Artificial monopolies and restrictions will wholly, or in part, prevent the operation of these laws, but in no way controvert their truth. And, quoting the words of Ricardo, we may say: "In speaking of commodities, of their exchangeable "value, and the laws which regulate their relative prices, "we mean always such commodities only as can be increased "in quantity by the exertion of human industry, and on the "production of which competition operates without restraint."

The effect of natural monopolies is elucidated by the Theory of Rent, to which we shall advert hereafter.

In speaking of labour as the ultimate natural measure of exchange value, it will be seen that an equal intrinsic power of labour is assumed; but it is only as between those who advance in a similar degree in material civilization that one man's labour can, with any degree of accuracy, be measured with another's; and it is most important to keep in mind, that it is not by mechanical aids only that the efficiency of labour is increased. Organization, and the consequent habits of order and intelligence, even when the direct attainments of material objects only is regarded, are quite as valuable; and the physical capabilities of men are greatly augmented by culture, especially when tested by their capacity for continuous and well-directed exertion for any definite purpose. How greatly such moral virtues as temperance and honesty contribute to prosperity in every form, it is needless to show; but a distinction may be observed regarding them. It would be repugnant to our feelings to suppose that such virtues could be measured or paid for in money. And in truth they are not so measured and paid for. Men—independent men, at all events—are not paid merely for being honest, but because, being honest, they can be trusted to, and do actually, perform a certain amount of useful labour. Still, speaking generally, we may say that moral, intellectual, and physical development, with scientific discoveries and mechanical inventions, all contribute to enhance the utility of individual labour, and to increase its value in exchange as compared with that of men not so developed or aided; and the ultimate equation of value will thus depend on the quantity of labour, rather than on the number of men employed as labourers.

If, for example, we suppose a quantity of ironware, the value of which may be resolved into the labour of ten men

for a month, in England, to be shipped to a barbarous country, where such articles were of the utmost utility, and quite unattainable by any exertions of the natives themselves; no limit could be assigned to the number of days' labour which they might be willing to give for it. Free competition would, however, fix a limit from our side, but the foreigners would have to give as much of the products of their inferior labour, whether of twenty, or fifty, or a hundred men, as would replace here the equivalent of our ten men's labour.

If we have succeeded in making our explanation clear, it will have been perceived that, while the general improvement of the efficiency of labour, whether by internal organization or external aids, does not alter the comparative wealth of the individual members of a country, the real material resources of a community may be augmented to an unlimited extent. As in the case before supposed, five hundred men can be enabled to do as much as a thousand had performed previously, or, what comes to the same thing, a thousand men could maintain themselves as well as they had done before, by half a day's labour. How the labour of the five hundred or half the labour of the thousand men would be employed, depends upon what were really their strongest tastes and desires. Theoretically, they might spend the whole in idleness, though it is against all natural analogy to suppose an improving and progressing nation to be idle, but, obviously, no necessity whatever exists that they should spend all on material objects instead of on intellectual pleasures and acquirements.

A curious instance of the way in which labour is naturally felt to be the real basis of such value as that of which we have been treating, is shown by the laws and customs of nomadic and pastoral tribes, where patriarchal rights are acknowledged in their original simplicity; the nature of the authority exercised is an unqualified despotism, yet among them the

rights of inheritance are always regarded as most sacred, while the power of bequest is not even known. A recognition, even though an unconscious one, of the truth, that the value of their herds and flocks proceeds from the labour of all in their several conditions, and that the right to such property cannot be derived from the authority of the head, whether of the family or of the tribe, who, therefore, however absolute in power, is not permitted arbitrarily to dispose of it to the prejudice of those who by custom, founded on natural right, are justly entitled to succeed to it.

The vulgar idea of wealth is comparative only. A man who desires pre-eminence by wealth looks only to the proportion in which he possesses more than his neighbours. Political economy does not, we repeat, dictate what a man should desire, and certainly does not teach that he should limit his desires to the acquisition of wealth. What it really does teach on this subject may be reduced to this—that labour is to be repaid in kind. He who bestows his labour on material objects may look for his reward in material objects. He who otherwise bestows it must look for other, and it may be, higher reward; but no one man has a right to say to another, "My work is higher and more noble than yours, above your comprehension and the capacity of your nature; therefore rest content to bestow your life on that lower labour needful to my subsistence, but to which I cannot condescend myself."

Such, we venture to assert, is the true teaching of the science, though, as we have before admitted, some writers have been so carried away by a new view of a new truth, that they have quite lost themselves in their subject, and forgotten, for the time, all considerations beyond it. Passages might be cited which evidently imply an opinion that nothing is of value except what can be resold. But all such exaggerations and inconsistencies, though they present points for

the attack of the critic, impose little difficulty to the true student, and when we remember the dense mass of ignorance, bigotry, and false association of ideas, including those of religion, out of which the science has been eliminated, we shall often be disposed to mingle gratitude with our most peremptory rejection of erroneous conclusions—gratitude for the partial truth or specious error brought into the light from obscurity, by exertions which thus essentially, though, in some measure, unconsciously, contribute to the advancement of truth.

One of the strongest of the new fallacies so set forward was the false estimate of the value of that labour which is termed "productive," so that the term "unproductive" was supposed to convey a stigma upon the labour so designated; but as the subject became better understood, all such errors and misconceptions were cleared away from it; they are found, indeed, to be quite inconsistent with the fuller and more exact development of the theories established. They live only in the minds of the cavillers against, or of those who are very superficially acquainted with, the true principles of the science.

Precisely the same considerations which would govern a prudent individual should govern a nation in this respect. The first and most urgent need that a man has is to support himself and his family from day to day, or, it may be, from meal to meal. His next step will be to have some store laid by to guard against sickness and accident, and mitigate or dispel the daily carking care which weighs down those who live in constant dread of physical want. Up to this point a man can hardly be said to have any option as to the course he should follow. Beyond it, much latitude may be given to his taste and inclination, but it is only the insane folly of a miser that would keep on constantly accumulating material objects. To any intelligent being, all such over

accumulations are only a source of trouble and annoyance. How much he should keep in store depends upon his position, the state of the country in which he resides, and numerous other conditions sufficiently obvious. As regards food and perishable articles, the limits can readily be indicated generally. On the one hand, there is the remote risk of dearth and famine, or other failure of supply; on the other, the certain loss by natural decay, the risk of destruction by fire or other accident, and the constant and increasing labour and care required to guard against such waste and misadventures. He would not, therefore, employ the labour of himself, his servants, or those under his control, to produce more of such things than was sufficient to keep up such a supply as he found it convenient to lay up in store; the surplus would wisely be devoted to any objects which would give pleasure or satisfaction to himself, or those in whose happiness he may be most concerned. Time and exertion might be devoted to sports and games which would tend to increase their physical capabilities, or to debauchery tending to diminish them; and the latter course, if carried to sufficient excess, would so far reduce their capacity, that the whole labour to which their enfeebled powers were adequate would be insufficient even to maintain them; or (not to refer to religious and moral education, at all times essential to the happiness of mankind) their leisure might be devoted to science having no reference to material results, but affording the highest pleasure, or to philosophy, or to art, all of which pursuits would, from every point of view, be far more reasonable than increasing a store, already too ample, of mere wealth. Works of true art, such as sculptures and paintings, are, indeed, sometimes accounted as wealth, but not, speaking thus strictly, rightly so; they have a value of a higher kind, which cannot be measured by, though it can, no doubt, be exchanged for, wealth. It is the expression of thought, immaterial thought,

whether on canvas, in marble, or by phonetic symbols impressed on paper, which gives the higher and true value alike to pictures, sculpture, or books. Curiosities, indeed, valued merely for strangeness or rarity, though exceptions to ordinary economic rules, have a less admissible claim to be valued by any higher standard.

But it must be most carefully borne in mind that it is surplus labour only that can be so applied, for it is not the law of man, but the law of God, immutable on earth, that condemns mankind to labour for those material objects which are necessary to preserve life. This would be sufficiently obvious to all in a very simple state of society; but in an advanced and highly complex and artificial civilization, it is possible for power and wealth to luxuriate, while weakness and poverty starve from actual scarcity of sustenance. The condition of those savage and degraded tribes, sunk in grovelling superstitions, whose darkened minds refuse knowledge, and whose enfeebled powers hardly suffice to maintain their hard struggle for bare life amid the rich bounties of creation, is, indeed, a dark and mournful question on which we are not called upon to enter. We have to treat of those only, preserved in strength of body and vigour of mind, capable of improvement, of "subduing the earth" and discovering some of the great laws by which it is governed, and working by and with them for the more ready supply of our physical needs: to whom much has been given, and of whom much will be required.

To resume our argument. The conditions under which, first necessary, and then useful, wealth is accumulated in a prosperous country, are somewhat modified, but the natural principles are the same; labour for material objects, carried beyond a certain point, ceases to be truly valuable, as objects produced in excess want that utility which is essential to value of any kind: it is equally at the option of a com-

munity, as of an individual, to employ its surplus labour as it may see fit; but after a certain amount of wealth has been amassed, *all* reasonable considerations are in favour of some portion of time and exertion being expended on other than material objects. The extreme complexity and minuteness of the divisions of labour in a highly civilized country, to which we have already adverted, make it difficult sometimes to trace the simplicity of the principles which govern its operation; the more so as these divisions are, and, indeed, must be, empirically made. The shifting and uncertain conditions under which work must be done, and the imperfection of our knowledge, render the attempt to establish fixed rules for practice impossible; they become obsolete before they can be well known: we must extend and constantly improve our knowledge by experiment, and empiricism may be less injurious than dogmatism in this respect. But this only makes it the more necessary that we should have a clear understanding of the general laws by which the application of industry is governed, and be able to recognise labour in the different forms and modifications under which it appears.

Let us explain and apply in familiar terms the operation of the principles to which we have been referring. We have seen that it is not the utility of an object, but the quantity of useful labour expended on it, that makes it exchangeable. In the case supposed, the labour was very simply and directly applied, but the principle is as simple, though not so easily perceived, in the most complex organizations, the true object of which is to economize, not to increase, labour. The manager and director who works with the brain may have a far higher value than the manual labourer. Fifty men with intelligent superintendence may produce as much as a hundred without it: the superintendent is, in this sense, worth fifty men. If he get the half of the produce they are none the worse, and for any proportion more than the half which

they enjoy, he is their benefactor. The inequality actually exists, but it is by no law of nature that it should exist permanently. As the handworkers increase in intelligence, they can almost, or altogether, dispense with superintendence, without the quality of their common work being in any way deteriorated. Other conditions remaining the same, they would be twice as well off, though, as compared with each other, no richer than before. Such a state of equality is, however, neither to be expected nor desired, as it is by no means the most likely to conduce to a continuance of that progressive improvement in the utility of labour, to which we must look to elevate the general condition of the community at large and meet the requirements of an increasing population. But, however this may be, the quality of labour is the ultimate measure of value, whether it be labour directly expended, or economized, or increased as to its results by inventions or good management. Capital also is the fruits of labour saved and accumulated, instead of being used and enjoyed, and exists only in the material products of labour.

Labour must not only be employed, but rightly employed. There are "two sides to a bargain," and no man can sell unless his neighbours are willing to buy. Commodities which are for sale, therefore, must be offered at the right time, and in the place required, and in the quantity needed, or a part or the whole of the labour expended on them will be wasted. If merchants or manufacturers offer goods which are not wanted where they are sent for sale, they lose by them. If, however, the goods can be used, it may be that what the seller loses the consumer gains; but if they waste or decay, or have to be stored or carried elsewhere, an expenditure of labour is required which might have been avoided by better knowledge or management, and there is to that extent an actual loss to the community. In estimating the proper cost of an article it is a very natural way to sum up the cost of

the different stages through which it has to pass, and if this be fairly done, the result given must be true. It is, however, very common for consumers to take the wholesale cost at a manufacturing town or sea-port, and assume that they ought to be supplied with little or no addition of price by retailers. But if the services of a retailer are required at all, his remuneration must include the charges he must disburse, which all go directly or indirectly to pay for labour, including his own; the inevitable losses he must incur are the necessary loss or waste, and all these items of labour enter into the cost of the article as delivered in the time, place, and quantity required, as absolutely as any previous expenditure of labour for procuring or producing it. A man may, perhaps, apparently save a retailer's profit of a shilling by going to a county town ten miles off, and buying at a wholesale shop; but, as far as any economical law is concerned, he had better have earned eighteen pence by breaking stones, or scraping the roads over which he walked; and if he buy more than he can immediately use, he takes the risk of loss or waste which would have fallen on the retailer. It is obvious that a poor man living on his wages cannot afford such savings; he must turn his labour to the best account. This common instance is cited to show the working of a general principle, which holds good universally as long as "competition operates without restraint," though its operation may be impeded by fraud, ignorance, negligence, or other temporary causes, which act like friction on a machine not perfectly constituted.

Again, as regards "productive" and "unproductive" labour. If the work of a man's hands give him enough food and clothing to supply the place of that which he has consumed, his labour is "productive;" that is, devoted to replace that which is necessary to keep him alive. If his industry yield him more than enough for this, and he can lay by a store of what adds directly to his security and comfort, and perhaps

to the fuller development of his powers, his labour is equally productive, as being devoted to replace in kind that which is useful, though not, strictly speaking, necessary for him to possess. If by any means, however, he amasses large stores of such things, a time will come when it will take more exertion to preserve them until they can be used, than, in all reasonable probability, will be required to obtain them when wanted—the more so, as to natural growth succeeds natural decay. Manifestly, therefore, he will not devote all his labour to replace in kind that of which he has already an excess worse than useless, to him. He may either work less, or work to produce what may be agreeable to him, though of no real benefit to his moral, intellectual, or physical condition; but his labour would still, if the products were material, be classed as productive; for political economists, as we have already shown, wisely refrain from attempting to define, by any arbitrary rules, what ought to be agreeable or may be useful to man; but if his labour were devoted, for example, to science, not having directly or indirectly any material results, it would be classed as "unproductive;" not because it is considered useless or less calculated to give pleasure, but because it manifestly does not reproduce or tend to the reproduction in kind of that which he necessarily consumes. This last stage can never be attained without a very high degree of material civilization; and the most difficult social problems which have then to be solved, relate rather to the distribution than to the creation of wealth. The second stage supposed also implies a considerable advancement in the social scale. Society will be organized, more or less justly, to a certain extent, and especially with a people not devoted to, or constantly threatened by, war; their lives will not be wholly laborious, but some time will be devoted to pleasure—the ruder arts and epic poetry especially flourish in this stirring and vigorous period of a nation's early existence.

The manner in which *taxation* may affect value cannot be entirely passed over. A tax levied on any particular community ultimately resolves itself into a demand for so much of their labour; a tax levied on a commodity takes, in the like manner, a portion of the labour of all those employed upon it. It operates much in the same way as though the interests concerned were subjected to a natural disadvantage, as in the case before supposed of a society of one thousand men having to employ one hundred of their number to procure water. If the same quantity of labour or of its products, were bestowed beyond their borders, the effect would be exactly the same, viz. that they would only have the labour of nine hundred men, or nine-tenths of the labour of the whole one thousand, to provide for their necessities, uses, or pleasures. If taxes are levied equally upon all, it is evident that they can have no effect upon value (that is, value in exchange), for all would be equally affected by them, and be in the same relative position as before. If, however, they are partially levied, either on commodities or services, the value will ultimately be equalized, so that nine-tenths of the taxed man's labour would exchange for the whole of the untaxed man's labour; and this change would be brought about by men leaving the interests taxed and engaging in the branches of industry not so burdened, until an equality had been re-established. If, however, the signification we have given to cheapness be admitted, taxes may be said to make things, or in like manner, services, dearer; that is, the value in use will be less in proportion to the value in exchange. In a free country, however, with a government well administered, taxes can only be regarded as the surrender of our control over a portion of the fruits of our labour, because those fruits can be better utilised by the central government than by individuals; and all local rates, in their degree, may be regarded in the same manner; and unless

men are devoid of all public spirit, they will regard the results of taxation, justly levied and judiciously applied, with at least the same satisfaction as that of expenditure under their own control. We here refer only to taxation as it affects value. The general effect of taxation and the incidence and operation of special taxes, is a much broader and more complex question.

Demand and Supply.—Price and value indiscriminately are commonly, and not untruly, said to be governed by supply and demand; but the words "price" and "value," though formerly used as though they were synonymous, really bear distinctly different significations: and "most accurate modern "writers, to avoid the wasteful expenditure of two good "scientific terms on a single idea, have employed Price to "express the value of a thing in relation to money; the "quantity of money for which it will exchange. By the "price of a thing, therefore, we shall henceforth understand "its value in money; by the value, or exchange value of "a thing, its general power of purchasing; the command "which its possession gives over purchaseable commodities "in general."* Value, as we have seen, depends on the quantity of labour usefully expended; but it would obviously be endless work—in a complex state of society totally impossible—for every one to prove not only the quantity, but the utility of his labour. As regards the latter quality especially, there is no standard to go by. It is a matter of opinion; and with regard to each and every object, value can only be determined by the common consent of those who possess other objects of value which they are willing to exchange for it. The consumer, not the producer, is the judge of this. The exchange is of products of labour on either side, and each one estimates for himself what the value is to him of that which

* J. S. Mill. "Principles of Political Economy," Vol. I. Book iii. cap. i. ec. 2.

is offered. Take any one commodity—let us say calico—to show the operation of the law. If no one wanted or desired it; if the labour expended on it was considered by every one as totally misapplied; it would, of course, have no value, as no one would give anything in exchange for it; or if it were very little liked or desired, only very little would be offered—less, we will assume, than the value of the labour expended on it. In the former case, there would be no demand—in the latter, there would be a demand certainly, but not an *effective* demand; that is, no such demand as would cause the further production of calico, as the value of the products offered would not remunerate the labour employed in making it.* If it could not be used by the makers themselves, or sent to some place where calico was held in higher estimation, the quantity so produced might indeed be sold or exchanged for anything that could be obtained for it, but the supply would cease, or, at all events, be suspended.

Perhaps, however, when people began to try the calico they had so obtained, and found out that it served very well for many useful purposes, they would ask for more of it, and, finding the makers could not supply them on the former terms, might by degrees increase their offers, until they gave sufficient to remunerate the labour requisite for its production. The demand might even further increase from people being convinced that the calico, at first so much disparaged, was really more useful than anything of the same kind they could obtain for the same expenditure, and higher and higher value would be given commensurate to this higher estimate of its utility, and this advanced value would be a premium to the makers; so that the value, for the time being, of the labour employed on the production of calico

* The supposition as regards such an article as calico may appear extreme, but extreme cases often best serve to illustrate the working of general rules; and, in fact, very similar cases frequently occur in foreign markets.

would be greater than that bestowed on other things, which difference might continue as long as supply was limited.

If, however, the original makers did not provide a sufficient supply, others would quickly engage in so advantageous a trade, so that the existing want might be more than satisfied, in which case prices would fall and production be checked; but by the value again receding, consumers would probably be induced to find out new, and still more extended, uses for calico, until the balance was again restored: and supply and demand being thus equalized, only the ordinary remuneration for labour would be returned to the makers. It is in this way that value is ultimately governed absolutely by the quantity of labour necessarily employed for production. No exact limit can be assigned to what men will give for an object they desire; but where competition is free, and quantity can be increased by the application of industry, the check to value thus enhanced is quickly afforded by increased supply; while a reduced demand (by demand, "effective" demand always is meant) causes a diminution or even total cessation of supply, but cannot cause a permanent decrease in value below that of the labour requisite for production. Demand thus governs, not only the quantity of labour which can be devoted to the aggregate supply of any commodity, but also the amount that can be expended on any given quantity of it: if anything cannot be supplied at the value which consumers will give in exchange for it, it is evident that labour will not be devoted at all to its production. Without effective demand, there will be no supply; but if products are supplied at all, the cost of production, and not the extent of demand, governs the value.

Where, however, monopoly exists, whether it be natural or artificial, the proportion in which men will interchange commodities or services depends only on the relative intensity of their desires or necessities.

The word "consumers" has been used to designate those

for whose use or enjoyment commodities are eventually expended. Manufacturers of calico may be said to use cotton, or bakers, flour; but it is evidently not they who really consume these things, but their customers: the former are merely agents for performing certain services required by the latter, from whom only that effective demand can arise which supports production.

It must also be borne in mind that, although we have referred to calico as sold by the makers and bought by the consumers, on the other hand, the commodities given in exchange or payment for it are equally sold by the consumers and bought by the makers. Calico buys other commodities, and these other commodities buy calico.

Let us now consider the probable effect of inventions reducing by one-half the labour necessary to produce calico.

The first and transitory effect of each successive invention would be to give a premium to the inventors, and afford a stimulus to production, as in the converse case supposed of increased demand arising from a higher estimate of value. The ultimate and permanent result might be, either a reduction of the labour employed in making the calico required, and of the value, though not of the quantity, made: or, for the same value received from the consumers, a double quantity would be delivered in return by the makers. The community is benefited. Either it can toil less, or enjoy more of the fruits of industry as it chooses, and approaches more nearly to that enviable condition in which it will be at its option to employ a large portion of its labour productively or unproductively. Practically speaking, however, there is no nation to which, as regards the greater number of its inhabitants, some such article may not be considered useful, or even necessary. The question, it must be borne constantly in mind, is one of mutual interchange. If we suppose the consumers to remain unaltered in wealth, they will have as much as ever to give

in exchange for calico, and will probably prefer to supply their wants more amply than before: their general condition would be, so far, ameliorated, which would tend to their becoming more efficient workmen; and, in like manner, the *utility*, though not necessarily or probably the exchange *value*, of their products would in turn be increased.

Again: consumers may have hitherto applied an equal portion of their means to obtain other fabrics of a similar kind; but now, finding they could get so much larger a quantity than before of the article that had become so cheap, would refuse altogether to buy the former, as they could supply their wants on so very much better terms with the latter. Classifying, for the sake of the argument, the interests concerned according to their relation to calico, the account would, therefore, stand thus. Four times the original quantity of calico would be given for twice the quantity of the products of the labour of the "consumers" of it, who would thus be twice as well off as before. The makers of "other fabrics" find their labour of no value as regards their former manufacture, and get nothing; but the former interest is, by our supposition, double that of the latter. Makers of calico get only half as much as before for the same quantity of goods, but are as well off as before, as they are able to make twice as much; while to supply the *quadrupled* demand as much labour as is withdrawn from "other fabrics" is employed—and, as regards consumers, more advantageously employed—in making calico.

Now, there are some who will see in all this only the danger and loss to which the makers of "other fabrics" are exposed, and the question shifts now from one of production to one of distribution. If the changes supposed have taken place within the limits of one and the same community, the case is simple enough—more labour is wanted in one quarter, less in another—and the readjustment would present no dif-

ficulty if only labour could be readily applied to new methods of working. But even if the communities were so different that serious obstacles existed to such a transfer of labour, other causes, to which we have already adverted, come into operation to lessen the difficulty. Consumers had to give in exchange to makers of "other fabrics" such things as *they* required. Now, it by no means follows that the makers of calico would put the same value on the articles adapted to the wants of the former makers of "other fabrics." If they were of different countries, it is very unlikely that they should do so. Thus, a demand for other and different commodities would arise: the labour seeking useful employment would find it in providing them, and the work of redistribution be greatly facilitated. But at the worst, the wants of mankind are so numerous and various, that it is contrary to all reason to assume, as the rule, that workers so displaced cannot find employment which will have a value in the estimation of their fellows: the more so, as those who get wealth in any form, whether to a large, or only a very limited extent, can only use it by obtaining a command of commodities or the services of others; and an increase in wealth must inevitably lead to an increased demand for labour. Of those things which are primarily necessary, or most useful, no man can consume more than a very limited quantity, and, in some way or other, he is compelled to distribute, whether he will or not, or cease to enjoy his wealth.

The experience afforded by the course of our own national progress, considered with due care and discrimination, will show that the difficulties referred to are far more dependent on our mental than on our material condition. They are appalling, and appear even hopeless, only where there is the moral hopelessness of apathy and ignorance to contend against. That the questions connected with the most efficient distribution of wealth are of the highest importance, must be fully

admitted, yet not without thankfulness that there is the wealth to be distributed; but it will be found on examination that these difficulties can be greatly mitigated in the aggregate by the free operation of competition, and by giving full scope to the natural operation of the laws of supply and demand. The casual hardship to some producers, cannot be set against the general interests of all consumers, and it must be palpably evident that the obstacles to supplying the needs of all, cannot in reality be augmented by the increase of that which has to be divided among them.

The natural result of the free operation of the law of demand and supply should be, that each man, and each country, should be employed in that labour which yields the best and most useful return; and the experience of the present century especially shows that, to a very great extent, this has been attained: and nothing can be more unreasonable than to lament over the decay and extinction of a feeble branch of industry, when its place has been most amply supplied by the healthy development of other kinds of productive employment, better suited to the real capacities of the people engaged in them. The real evil is, that these laws do not operate freely. Even when all legal and artificial restraints, externally imposed, are swept away, there still remains a grievous amount of ignorance, prejudice, and apathy, which interpose the greatest obstacles to a nation's prosperity. Industry wants "mobilization" before it can be applied with all the good effects indicated by theory. The mere abrogation of restrictive laws will not meet all, or even the most serious difficulties of the case: there must also be the cultivation and true *education* of all those faculties and qualities by which men are enabled to do and to bear their fair share in the work of the community, with some degree of intelligent comprehension of the general conditions under which each and every one must serve, and be served by all. It is too

much to hope that great changes in the direction and employment of skill and industry can take place without some hardship; but if, on the one hand, the complex and minute divisions of labour, in a highly civilized society, make it impossible for a man to know practically anything at all of the work of the great majority of his neighbours; on the other, the very multiplicity of these divisions makes the difference between any one branch of industry, and, at the least, several others, comparatively small: changes are graduated, and can be made with less difficulty and suffering, while the greater variety of employments gives greater opportunity for the exercise of very different capacities.

Opinion is, unhappily, still against such extended and liberal views of reciprocity among the so-called labouring classes. The ideas of monopoly and protection, which have been abandoned with such marvellous advantages in the higher branches of industry, are yet retained in the lower; and no offence is, we believe, reckoned greater than for one "operative" to encroach on the trade of another. We take courage from the evidence, that the evil arises from ignorance and misconception only, and not from any want of mutual sympathy and generous feeling. Very similar arguments to those which were urged in favour of the weak and timid policy of protection, are brought forward in support of principles by which the interests of labourers are segregated instead of mobilized; but surely both theory and experience warrant the confidence that as it has been with commerce, so it would be with "labour." Hardships arising from inevitable changes, so far from being greater than they are now from failing demand, which affects almost all trades in turn, would be diminished by the more efficient employment of industry; for, argue as we may on the question of distribution, the plain fact underlies all, that labour is paid by the products of labour. These products of labour are wealth, and wealth

increased, whether in the hands of one or of thousands, cannot be used without directly or indirectly employing labour, for which, therefore, an increased demand necessarily arises; and the bolder course must tend most speedily and effectually to the advantage of all, and especially of the class to which we particularly refer.

Thus much on the general principle; and we hope to discuss the subject more fully hereafter, when treating of the general question of the remuneration of services, in which wages and profit will be embraced.

There are other causes, too, which prevent the free and beneficial operation of the law of demand and supply. The complaint is universal, that consumers do not get the benefit of cheapened cost of production in any fair proportion; that extortion, adulterations, and frauds, more or less flagrant, are the rule rather than the exception in retail trade; and prices depend less on value than on the ability to deceive the purchaser. For the moral obliquity thus displayed we offer no shadow of excuse; but surely the fault is not all on one side. There is apparently a very simple work to be done, and surely there are honest and straightforward men to be found. Why is the demand for their services not "*effective*"? By some it is said, that if buyers will not look sufficiently after their own interests they are themselves to blame; that if the same remissness were displayed in the higher operations of commerce, as is seen in the daily small bargains of life, the results would be as unsatisfactory and irregular: but this is only partially true, and still more partially applicable. Merchants, for example, can and do habitually trust implicitly to those with whom they do business. They must, no doubt, be wary and circumspect as to those with whom they deal at all; but if they had to guard against fraud and overreaching at every turn, all useful division of labour would be impossible. Were frauds and adulterations occasional only—common even,

but still exceptional—the remedy might be looked for in greater vigilance on the part of consumers, but the evil is notoriously far more widely spread, and the reasons thus suggested are not sufficient to account for it. A blind, grasping spirit of mere bargain-driving on the part of consumers is, we believe, quite as active a cause. If a man drive a hard bargain for a thing, the value of which he knows, he may show himself to be grasping and niggardly, but little further harm is done; but where men ignorant of the true value of what they desire to buy, follow the same course, the mischief is far greater. They know not where to stop. They insist upon getting what cannot be truly and honestly supplied, and, in plain terms, must, in the end, either cheat or be cheated. Fair-dealing men are discouraged, and the dishonest, or at best, the unscrupulous, are employed, and the tone of conventional morality, which with so many is their sole guide in matters of conscience, is lowered and debased, to enable them to meet the real requirements of an ignorant and indiscriminating demand; for men do not get what they want simply because they desire it; they can obtain only that for which they give real value. Endless complications are thus introduced, innumerable subterfuges are invented, and crooked trade-customs established, by which profits are made, frequently wholly disproportioned to the real value of the work done. Some theoretical moralists may urge in horror, that even the strong temptations referred to are no excuse for the departure from moral rectitude; that men should suffer any loss rather than stoop to such iniquities. That we admit—admit it through all life, and to the death, if need be; but true as the assertion is, as an argument it is wholly irrelevant. It is perfectly true that no man is justified in committing a fraud by any pressure of circumstances; but no obligation whatever is imposed on an honest man to work without adequate remuneration. If there be no "effective demand"

for his services, he is perfectly free to carry his labour elsewhere.

It has before been observed, that this "effective" demand must come ultimately from consumers—that is, from those who really expend and enjoy commodities and services, for which it is obviously assumed they give value in return—not from those who merely use them, as do manufacturers, for supplying the wants of others. Now, all men are consumers, and all are either producers or are living on that which has been produced and saved by others; but in the changing condition of affairs, it is important sometimes to consider the incidence of duties on the different relations of life. Let us, then, consider the interests and duties of society at large as consumers, on the one hand, and those of the various sections of it as producers (including sellers), on the other.

Now, as we have seen, when the condition under which the latter act is one of perfectly free competition, the constant and inevitable tendency is, that the exchange value of that which they supply is kept down to the minimum. If they do not supply exactly what their customers really and "effectively" require, the labour they expend is wholly, or in part, lost to them. If any producer do not like the conditions under which a trade is carried on, he is free to leave it, and enter upon another if he can; but in no other way can he exercise an influence on consumers. We may illustrate our position by instancing the case of a trade carried on under severe fiscal restrictions, such as that in tobacco, the duty on which is very heavy, especially on some kinds which are only very slightly manufactured. It is no stretch of imagination to suppose communities who do not feel or even recognise the obligation of obeying the law. They will evade it if they can, and prefer to satisfy their wants from those who will supply them habitually at a price, highly remunerative indeed, but far less than the amount of the duty lawfully due to the

State, which is, of course, withheld. In such a community, the existence of a dealer who would scrupulously pay the claim of Government, would be obviously impossible. The sellers are not absolved thereby from the guilt of breaking the laws of their country, but it is the consumers who must bear the blame of driving strictly conscientious men out of the trade altogether. The analogy holds good in numerous other cases where the culpability would, in general estimation, be far deeper, and the exact nature and extent of the wrong promoted not so readily perceived; and it is evident, therefore, that there are responsibilities resting on society at large, which it not only cannot throw off upon producers, but which attach to it in relation to producers themselves. The great economic principle, which has been so prominently and justly acknowledged in recent times, is, that the interests of consumers are to be regarded equally with those of producers. Free competition is the most effectual means of securing this. Not only are monopolies abolished, but exertion is stimulated to the utmost in favour of the former; but with this great advantage comes the attendant responsibility. Society must take care that its demand is "effective" for such things, and for such things only, as can be rightfully supplied.

It must be kept in mind that there is no class of consumers, as a body, separate and distinct from producers. We speak generally of the duties which all, as consumers, are called upon to fulfil, and must not overlook the practical limits within which they are confined; for very much mischief is done by foolish and exaggerated ideas promulgated regarding the nature of the power of distribution conferred by the mere possession of wealth. Thus, a man may be spending a large income entirely on self-gratification: he is blamed, and most righteously so; but it is not to be supposed that if he chose to spend only the half upon himself, and give the other half to the poor of his parish, that the poor, as a

class, would be benefited to the extent of his self-denial. Nothing can be more false and confused than such an assumption. Much of what he spends *must* go to honest striving men engaged in various arts and trades, and to servants and others, who would have so much the less distributed among them. He may waste his substance, and dissipate it by employing labour unproductively; but in wasting he must distribute in one direction or another. This is no theory. It is a simple matter of fact. But does it follow that no moral responsibility attaches to expenditure? By no means. The only limit of the duty is the limit of possibility. It is true that what is spent in one direction must be saved in another, but the power of distribution is a most important one. Alms to the destitute, though not all, are far too important a part of duty to be neglected. Vicious expenditure, on the other hand, is the worst of waste, and mere waste itself is no small evil: the homely virtue expressed by the old English word "thrift," as far from penuriousness as from extravagance, is too much forgotten. Then, again, the power of guiding the direction in which labour shall be employed, is with consumers: those who use anything the making of which is needlessly injurious to their fellow-men, cannot be held blameless. A sense of moral duty should impel a far more active general desire for knowledge on such subjects, and incalculable good must result from the efficient exercise of more enlightened public opinion regarding them—further, no exact rules can be laid down which can save any man from the duty of exercising to the best of his ability a sound judgment as to the disposal of his resources, and very few are so poor that they have not some discretionary power, and, therefore, some duties of this nature.

In speaking generally of the laws of demand and supply, we have used the word "value"; but it is not to be supposed that their operation is so perfect in actual daily

practice, that the value which can be obtained in exchange for commodities or services offered, will always, or even usually, correspond exactly with the true value. To the chief causes which prevent the efficient working of these laws we have already incidentally alluded, and the casual fluctuations arising from the practical imperfection of actual systems are better expressed by the word "price" than "value"—that is, by the value, as acknowledged at any time, expressed in money, assuming, as we may safely do for the present argument, that money is a fair measure of the comparative value of one thing with another for the time being. Thus, an accurate speaker may say that such and such a thing is sold for less than it is worth, *i.e.* for less than its value, thereby expressing a double opinion—first, that the price is insufficient to pay for the labour expended on it; but secondly, that the "effective" demand will ultimately, or, on the average, be sufficient for that purpose: the causes interfering with the recognition of the true value, being accidental and temporary. That "the value of a thing is what it will fetch," is quite as true as any saying of the kind can be as regards all ordinary transactions of life; but taking a more extensive view, the action of the general laws adverted to is certain and irresistible; and it may be observed also that their operation is in no way dependent on the use of any monetary standard: the principles equally apply to the direct interchange of commodities or services, without any such intervention. It is true that one of the conditions of value in exchange, is that the labour on which it is founded shall have been usefully expended: labour uselessly expended does not enhance value. But it would require a very forced interpretation of this principle to account for all the fluctuations and irregularities which are constantly exhibited; some, indeed, palpably owing to the ignorance, stupidity, or remissness of those consumers from whom effective demand must arise.

Without putting too forced an interpretation on the common use of the words "*value*" and "price", it may be said that the former refers rather to the real worth, the latter rather to the worth for the moment, which is more affected by the casual irregularities of demand and supply. These the rise and fall of prices tend to equalize: superabundant supply inducing low prices and stimulating demand; enhanced demand forcing up prices and stimulating supply, all these fluctuations tending towards a mean, according to the laws which govern value. The notion that price has anything to do with the ratio between supply and demand is quite unfounded. A deficiency of a fourth in a necessary article, like wheat, might more than double the price; an excess of a fourth, especially of a perishable commodity, might reduce the value of the whole by a half: in short, variations in price bear no proportion to excess or inadequacy in quantity.

It is not to be expected that the progress made in removing the needless obstructions which interfere with the simple and beneficial operation of these great natural laws will be the same in all countries. In England, especially among the lower and less educated classes, we have to overcome many old prejudices, still strong and active, having their origin in the old trade maxims of past generations, when competitors were regarded almost as natural enemies, and the preservation of a strict monopoly was considered a necessary condition for profitable undertakings; but while these drawbacks exist, and exist supported by all that practical vigour of action which is characteristic of the nation, there is no reason to despair of their being removed ere long by the spread of intelligence and the teachings of experience; while deeply underlying these feelings, which arise chiefly from erroneous views of what is due to a just regard to self-preservation, we have in a very large degree the just sense of mutual rights and capacity for spontaneous and independent co-operation neces-

sary to carry out the full development of true principles, as soon as their just bearings are rightly comprehended.

In our Indian Empire, on the contrary, we have far less active and ostensible, but more passive and effectual, opposition to beneficial changes, which an enlightened Government may be able to overcome to a great extent, as regards commerce, by securing the independence of different centres of traffic; while generations will probably elapse before any true spirit of co-operation can be induced to carry out fully the local organizations of labour, which are of paramount importance to the prosperity of a country. This may, perhaps, appear a contradiction to those not practically acquainted with the working of the Asiatic mind, who have yet heard of the marvellous power of combination and subtlety of intellect displayed by natives of India. The essential difference is very deep-seated, but very simple. These subtle powers of combination are exercised to *obtain* power or wealth—our sturdy healthful powers of co-operation to *create* them. They would gather where they have not sown; we would convert the waste desert into fruitful fields. Moreover, we may expect more from the application of external or superior power, less from spontaneous exertion, and this (without here assuming any superiority) from the different character, habits, and traditions of the race. Obedience to the beneficent exertion of authority is, and for generations to come, will be, the method of improvement natural to them. The difference is far greater than can be accounted for by any reference to merely intellectual capacity. The manly self-reliant spirit which takes the Anglo-Saxon into the primeval forest, where the very luxuriance of nature would—does indeed—appal and crush down the hearts of feebler men; which supports him amidst dangers and privations, while the giants of the wood fall one by one before the blows of his axe, till the virgin soil, restored to the light of day, yields

her rich increase to his toil; which guides him when towns spring up, where the laws of his country and the pure worship of his God are again formally established, calling for the exercise of higher powers of self-government: this spirit is the growth, not of one, but of many centuries of training in the great school of the providence of the Almighty. Upon it we rely for carrying out experimentally, both at home and abroad, the great truths of economic science, in all their beneficent simplicity.

Rent.—The effects of natural monopolies have now to be considered: and it will be found that while they modify the operation, they in no way affect the principles of the fundamental laws which govern value.

The conditions from which the charge of rent on land under cultivation inevitably accrues, first and chiefly claim our attention. It has been defined as "that portion of the produce of the land which is paid by the occupier to the landlord for the use of the natural and inherent powers of the soil."* The further payment made to the landlord for other purposes, such as buildings and enclosures, is, strictly speaking, for the interest of his capital or the profits of his stock; and though this double charge is usually agreed upon and paid as one, the principles by which each portion is governed are radically distinct, and the former only is referred to when the term is used in political economy. Both charges are totally distinct from any payments, in early and troublous times, exacted by force, or willingly made to secure the protection of a stronger power. Permanent improvements, however—such as the construction of a canal for the purpose of drainage or irrigation, or the complete removal of natural obstructions to communication—though they might be considered and charged for by a landlord as an outlay of capital,

* Encyclopædia Britannica, Art. "Political Economy," Part III. Sec. 3.

would in reality—if the work were so indestructible in its effects as to be equivalent to a natural advantage—be subject to precisely the same laws as those which govern rent.

To the definition quoted, it may fairly be objected that if there were no landlord, but the occupier tilled his own ground, rent would equally and inevitably accrue. Whenever there is an inequality in the returns yielded to labour by land under cultivation, whether owing to the nature of the soil itself or to the accident of position, the difference between the least and all other returns constitutes rent.

The theory may be best illustrated by supposing the case of a band of colonists arriving in a new country, whom we may assume to have made some progress in the arts and civilization. Agriculture would naturally be one of their first and most important pursuits; and as long as there was abundance of land yielding the same return to the same amount of labour, all would be on an equality. Let us suppose every man could obtain by tillage ten measures of corn, or say, for the more convenient statement of our argument, that ten men could produce a hundred measures. Labour, as we have already seen, is the common basis of all value in exchange: and therefore, if fifty measures would suffice for their own sustenance, the remaining fifty would procure for them half the products of ten men's labour in clothes, manufactures, or whatever else they might desire. And the converse would hold equally good:—that every ten men engaged in other kinds of useful industry would supply their own wants with half their labour, and exchange the other half for corn. Half of the community are thus engaged in agriculture, and half in various other pursuits. If it were found that, on the average, the husbandmen were getting more than an equal share, the irregularity could be easily remedied; as others, who would naturally desire to engage in an employment affording the better reward for labour, could occupy as much

fresh land as they required without being at any disadvantage on the score of its inherent inferiority.

But sooner or later, owing chiefly to the natural increase of population, more corn would be wanted for food than the best and most conveniently-situated lands could yield. To supply the larger quantity required, land affording a less return must be brought under tillage; but it is obvious that none would willingly cultivate it on terms that would leave them worse off than the rest of the community, as would be the case were they to employ themselves in a way which would give to every ten men, let us say, ninety instead of a hundred measures of corn. Those holding the best lands would now have a limited monopoly. The value of corn would rise, as compared with all other commodities, and the remuneration of all other labour except that applied to its cultivation would fall, until the less return afforded by the inferior land should be equivalent to that derived from other occupations. Then, but not till then, would cultivation be extended. But the fact that the inferior soil can be worked at the ordinary rate of remuneration, implies that the superior yields more, by one-ninth, than that which has now become the ordinary return for labour. Thus, distinguishing the different qualities of lands as A and B, we should see every

10 men, working on A, obtaining a yield of 100 measures.
10 „ „ B „ 90 „

Ten measures would represent the rent of the superior soil; but nine measures of corn would be the remuneration for which, or for its equivalent, each man would have to work.

The first settlers, and those who had secured equally good land, would be benefited by the change: for they would still have fifty measures of corn for their own sustenance as before, and for the other fifty could command more by one-ninth of other men's labour. The other ten, also, would still want fifty measures for their support, but have only forty

instead of fifty for all other things; these forty, however, would represent the labour of men working for nine, or the equivalent value of nine, instead of ten measures, and the value of corn, as compared with all other commodities, would have increased in like proportion. But the theory in this only agrees with well-known facts. If population increase, without any accession to the productive power of labour to compensate for the naturally inferior powers of those soils to which they are obliged to resort, it is obvious that the average condition of a community so augmenting in number, but stationary in force, must deteriorate. But this is not owing to the productive soil having become less productive, but to its powers having already been fully utilised. The new population must grow up under less favourable conditions; but the fact that it is intimately and indistinguishably associated with others more favourably circumstanced, can be in no way prejudicial, though it may only be indirectly beneficial, to its interests. It will be perceived that the existence of rent under the circumstances is inevitable. The difference in favour of the occupiers of the best soil must arise. If it were taken from them by a tax—if even it were wasted by them in idleness, it still remains in a distinctly recognisable form. It is clear also, that it does not cause, nor in any way tend to cause, the increased value of corn; but that, on the contrary, it is the effect of the increase in the proportion of labour which it is absolutely necessary to apply to the cultivation of corn, in order to secure the supply requisite for the wants of a more numerous population.

The extension of cultivation to land yielding only seventy or even fifty measures could only take place on terms precisely similar. Still, using serial letters to designate the comparative productiveness of the soil, the case may be shown thus:—

On A 100 men	producing	1,000	measures	ordinary return for labour 5 measures	500	Rent	500
B 100 „	„	900	„		500	„	400.
C 100 „	„	700	„		500	„	200
D 100 „	„	500	„		500	„	none.

In the last case, the utmost limit alike of population and cultivation would appear, upon the terms supposed, to have been attained, or indeed passed, as five measures of corn were assumed in our argument to be the quantity which each man required for food alone; but a necessity, stronger even than the natural law which gives every man a right to enjoy the fruits of his own labour, would have arisen, and the holders of the richer soil, being members of the same community, would have to give, without return, for the support of those unable to satisfy their primary wants by the cultivation of the poorest soil.

But we may press our argument yet further. Let us suppose, for a moment, that the increase of the population requiring such an extension of cultivation has not arisen from internal causes, such as the number of children born to the first settlers, but from the successive arrival of other colonists, driven by imperious necessity to seek to maintain their lives wherever they could hope to do so, and that thus four separate communities were formed, each keeping wholly distinct and apart, and each living on the lands of the different qualities supposed, instead of being blended into one common society. Population and productive power being the same, the occupiers of these different tracts of land would be in precisely the same condition, in either case, whether such a thing as rent had not or had arisen among them. The condition of the last settlers, however, would be wretched indeed, being not only without any claim for aid on the grounds of common association, but so overwhelmed by their hard struggle for the support of bare existence, that it would be impossible for them to better their own condition by improving the efficiency of their

labour. It is evident, therefore, that that state of society in which rent, under all ordinary circumstances, must of necessity accrue, conduces to the general wellbeing of mankind.

Although we have approached the question in a manner different from that which has usually been adopted, we believe we are safe in asserting that the view thus presented of rent, is in no way contradicted by, but is completely in accordance with, Ricardo's theory. But our special aim has been to show that, apart from any distinction between labour and capital as in any way appertaining to different classes, rent would still accrue; and the value, as in the case supposed, of corn (and all agricultural products of land in like manner), would be inevitably governed by the quantity of labour necessary to produce it under the least favourable conditions to which the exigencies of a community might compel them to resort.

How rent would gradually and naturally come to be a distinct charge, it is easy to perceive; but because the cases instanced to illustrate the proof of the law are simple, it must not be supposed that the operation of it can be traced with the same clearness in all the complex workings of a highly-organized society. Its effects are, indeed, almost co-extensive with those of the great laws of supply and demand as affecting questions of exchange-value. Its principles, as we shall shortly see, apply to all natural agencies the supply of which is in any way limited, or to the free use of which any obstacles, removable by labour, are interposed.

The occupiers of the lands previously indicated by A, B, and C might, if they chose, retain the comparative advantages arising from their position in their own hands, without recognising it as constituting a distinct charge; but it could not long remain so undistinguished. It might form the subject of a tax imposed, without raising any theoretical question, on the broad and intelligible ground that they could

pay, and therefore must pay it to superior authority. Or more men might live on the better soil than were required for its cultivation: and it is quite possible that they might divide the work among them and live at greater ease, sacrificing the material comforts which would be within their reach; or their labour might partly be employed in tilling the fields, and partly in making for themselves such things as they required;—and a great amount of happiness is sometimes attained by societies constituted in this mixed way, though the state of segregation in which they live is not favourable to the most productive application of their industry, or the development of much general mental activity. Still, it may be considered a comparatively enviable state, which none need desire to see changed in any other way than by the more perfect organization of labour, gradually brought about by more liberal and extended intercourse with neighbouring communities. But even under these circumstances—the most likely that can be supposed to blend interests indiscriminately together—cases would arise in which the right to rent in fact, though not, perhaps, in theory, would be recognised. If, for instance, a man showed any particular aptitude for a handicraft or an art, or were employed in public affairs, to which he desired to devote his whole time, he would most assuredly, apart from the remuneration he would earn for his work or service, get some consideration for his right to earn a whole day's sustenance by part of a day's labour, on the land of which he had a share. Accounts from all parts of the globe show with what extreme tenacity such rights are held; indeed, a natural right of the kind is not likely to be lost sight of by those who own it, although it may not readily be perceived by those who have no such interests. It is not improbable that in such a state of society the right would be asserted by the owner claiming the power to nominate a substitute, who would be fairly paid for his work by—let us

say—half his share of the produce. The other half would be essentially rent, which he might enjoy himself, or dispense, perhaps in kind, to his children or others dependent on him at home. But where different kinds of labour were not so mixed together, rent would more readily assume the form of a definite charge. Any one who desired to do so, could readily find a man who would work for the ordinary rate of remuneration, and pay him the difference out of the produce gathered; or if the culture of the soil, as is almost always the case, were an occupation much desired and sought after, men would come to offer to pay him as much as they could afford for the privilege of working on his land, reserving for themselves only the average remuneration for labour.

The old, who had amassed wealth, might also, with great mutual advantage, exchange their store of commodities with the young and enterprising, who would better be able to make a profitable use of them, receiving as an equivalent in return the transfer of the right to collect such a periodical charge as rent from the occupiers of the soil. Women also, and the young who had inherited property—all, in short, who had disposable wealth accumulated which they did not desire, or were not able to increase by use or traffic—would be ready to part with it in the same way to those who, from any cause, preferred the immediate possession of wealth to a permanent right to collect a revenue out of the produce of the land. Rent, it will thus be seen, does not create capital, but is a great means of its redistribution among those who are, as a rule, qualified to make the best use of it, and of removing the temptation to hoard it up unproductively.

It is needless to multiply instances of the way in which rent would naturally acquire a saleable value; but we are not for a moment forgetting that, as a matter of history, the charge ostensibly arose in a very different manner. Revenue was drawn by the lord for protection vouchsafed, or by the exer-

cise of arbitrary authority: and in evil times the only limit to its collection has been the absolute inability to extort more. Still it is well to consider to what extent claims thus arbitrarily made were supported by the operation of natural laws. Stretched they often were to the utmost; but exactions made without some such foundation, and in defiance of all principles of justice, could only be maintained by a constant exercise of repressive force. Unjust power may enforce very hard compromises on right, but can rarely set aside its claims altogether.

By our last supposition we had before us a community with a portion of its members on the verge of starvation. By reversing the mode in which the facts were presented, we have as follows—the figures given equally well representing tens, or thousands, or millions. We shall now further assume, for the sake of simplicity, that five measures of corn represents all that is absolutely necessary for the support of a labourer:—

Quality of Land.	Required for its Tillage.	Total Yield.	Corn required for the Support of Cultivators.	Rent.	Adequate to support	Total supported.
	Men.	Measures.	Measures.	Measures.	Men.	Men.
D	100	500	500	none	none	100
C	90	500	450	50	10	100
B	70	500	350	150	30	100
A	50	500	250	250	50	100
	310	2,000	1,550	450	90	400

Giving a total population of 400 men, subsisting on 2,000 measures of corn, of whom 310 are employed, either directly or indirectly, in tillage. The remaining 90 must be supported out of the portion assigned as rent. If we suppose this rent to be owned equally by the whole ninety men, it

is of course possible that they might all live in idleness, or, what is the same thing to our present argument, without "producing" anything; but if it were in the hands of a few, they might compel the remainder to work for their benefit in exchange for food. The advantage which they would possess would be just this control over the labour of others; for no man can use or enjoy in kind more than a limited quantity of corn, and the fact that 2,000 measures of corn are produced, indicates that there must be in all 400 men to consume it—otherwise it would not be grown at all, as the excess would be utterly useless on the data assumed. If we suppose the whole of the rent to be in the hands of one, he might thus have eighty-nine, either as armed retainers, domestic servants, handicraftsmen, or otherwise, giving them as much as they would be able to obtain for themselves by the cultivation of the only soils left unoccupied. The benefit of the services of those supported in this manner he might entirely engross personally, or share with them or others in different proportions; but the condition of the labourers themselves would not in any case be deteriorated.

Let us now see what would be the effect of opening up better sources of supply, whether by improved cultivation or by the discovery of new lands. Let us take the latter as affording the best and fullest illustration, assuming the district so made accessible to the community to contain a superabundance of land, yielding a richer return to the husbandmen than any which they had possessed before, but to be separated from them by obstacles requiring much labour to surmount. Suppose, therefore, that 40 men only were required to raise 500 measures of corn on this most productive soil, but 40 more were necessary to convey it to the place where it was wanted for consumption—in all 80, instead of the 100 who had to work on D, or the 90 on C, to obtain the same return. The cultivation of such unfruitful tracts as D and C would, therefore, be abandoned altogether.

The total required for the support of the whole population of 400 is 2,000 measures. The lands A and B can yield only half that quantity, but the difference could be far more than supplied from that which we shall designate by E. Now this 1,000 measures could be produced by 160 men, or at the rate of 6¼ measures each. Men would no longer work for five when a better return could be had for their toil; and 6¼, instead of five, having become the equivalent of each man's labour as measured in corn, rent would be reduced accordingly. The *total* production, however, would not be extended, as it would be obviously absurd to grow more by a fourth than the whole population could consume.

We should have therefore :—

Quality of Land.	Required specially for Tillage.	Required for Transport.	Total.	Required to give ordinary Rate of Remuneration—viz. 6¼.	Rent.	Total.	Sufficient to sustain
	Men.	Men.	Men.	Measures.	Measures.	Measures.	Men.
E	80	80	160	1,000	none	1,000	200
B	70	none	70	437½	62½	500	100
A	50	„	50	312½	187½	500	100
	200	80	280	1,750	250	2,000	400

And,

280 men engaged in procuring corn affording them 1,750 measures, but requiring, at 5 measures each, only				1,400
120 „ to be otherwise employed, who would have their wants satisfied, in the same proportion of 5 each, by the surplus from 280 men producing		1,750		
But consuming only		1,400		
			350	
Accruing as Rent			250	600
400 men	Measures . . .			2,000

Now, it may appear that there is an inequality here, the cultivators getting 6¼, while to all others only five measures

each are assigned; but it must be remembered that corn is thus referred to only as a common measure or standard of value: other things of equal value, as the products of equal quantities of labour, also exist. If the 120 men applied the same amount of labour as the 280 to useful industry of other kinds, their remuneration would easily be adjusted; for they evidently would not give the whole, but four-fifths only, of the products of their labour for the five measures of corn they required—the remaining fifth they could retain for their own benefit. With the cultivators the case is exactly converse: they must retain four-fifths of $6\frac{1}{4}$ measures—that is, five measures—for their own sustenance, and can expend one-fifth—*i.e.*, $1\frac{1}{4}$ measure—on other things, useful but, according to our supposition, not absolutely necessary to them; the result in both cases being identical.

This example serves also to illustrate the meaning of the definition. Rent, it is said, is for "the use of the natural and inherent powers of the soil;" but by this it is not meant that the payment is made because or in consideration of natural and inherent powers, or that these powers of themselves can be the basis of any value in exchange; but when, from external causes such as those which have been explained, an exchange-value is given to "natural and inherent powers," the payment made for the use of them is distinguished as rent.

If we assumed society to have been divided more distinctly into classes, some of whom had saved a portion, and others had expended the whole, of the products of labour belonging to them, the former would no doubt share to a greater extent than the latter, in the benefits derived from such a change as we have supposed. These accumulations are "capital:" and it is unquestionably true that without them men could not possibly subsist while carrying on any operations of labour, except those resulting in the immediate supply of necessaries

obtained in the rudest way. But fully admitting this, and admitting further, that "capital" and "labour" have, in fact, generally been the distinctive properties of separate classes whose co-operation has been necessary for production, it is still clear that the causes elucidated by this theory would be equally effective, were such accumulations of the products of labour to remain invariably in the hands of the workman. The questions arising would be of inter-distribution only. The surplus supposed, represented by $1\frac{1}{4}$ measure of corn, would be differently apportioned between those who supplied the means of reaching the new district, and carrying on the first cultivation there, and those who merely could give their labour in the field laid open for them. The return (in excess of their outlay) to the former would be termed "profit;" the latter would receive 'only wages;" the proportion which one would bear to the other would be governed by causes which it would be out of place here to discuss. But the actual *cost* of the commodities produced is governed by a superior law, which cannot be affected by them. It will also be seen that high rents, though in no way a cause, are a certain indication of high cost. A high rent of land, also, is generally an indication of a pressure of population, requiring great exertions to keep up the supply of food which can only be drawn from that source; but the increase in rent, and in the cost of food, are in no degree commensurate. More labour might be applied to procuring more food, but at a greater proportional cost, to any extent without affecting rent at all, if the outlay on the increased scale were in all cases attended only by the same increase of return. It is quite conceivable, indeed, that a community might exist under such circumstances, that, though their food could only be obtained at an enormous expenditure of industry, yet if the same returns were yielded to the same amounts of labour, no rent at all would accrue.

Rent may also arise from the employment of additional

labour on the same land, though with a different return, as well as by its application to other and inferior soils; thus we may suppose—

	Total Production.	Required for Sustenance.	Available for other Purposes.	Total Remuneration for each Man.
	Measures.	Measures.	Measures.	Measures.
100 men to produce . . .	800	500	300	8
100 additional men, working on the same land, would increase its production by	600	500	100	6
200	1,400	1,000	400	

But as the additional men would not engage in the work unless the best rate of remuneration which they could otherwise obtain had been brought to six measures, the first one hundred might enjoy a rent of two hundred, or two measures each. But increasing as society actually does by the birth and growth of children born within it, it is not likely that such a diversity of return should be received by those working together on the same ground; but the effect would only be, that the whole two hundred would each get seven, or one more than the ordinary return as their remuneration; and if all the land accessible to the entire community had been thus taken up and brought under cultivation, so that competition could not be brought to bear to equalize the difference, the whole of it might, in this manner, continue to bear a rent.

If the five measures assumed in our statement as requisite for each man's sustenance, be taken to represent the wages necessary to keep a labouring-man and his family in the same condition in which others working in similar ways, are maintained, and the surplus of three hundred and one hundred

respectively be considered as the return to the landlord, the illustration equally applies, and may suggest more readily the way in which such changes would actually arise in a state of society constituted as our own in the present day.

Large and well-marked differences have been assumed only for the sake of more clearly illustrating the theory; but in reality, no such broad distinctions exist to impede the continuous action of the law, which is constantly at work to give full effect to the higher law, that value is ultimately governed absolutely by the quantity of labour necessarily employed for production. As the quantity of labour necessarily employed varies, according to the changing conditions under which its operations have to be carried on, so do value and rent also vary wherever the latter has come into existence. And it is rarely indeed that the conditions of production are in all respects so absolutely identical or, we may say rather, equal, that the causes which necessarily give rise to it do not come into operation.

Many objections have been urged against the theory of rent, though we must venture to say, with Mr. J. S. Mill, that we are "inclined to think" that there are "few persons who have "refused their assent to it, except from not having thoroughly "understood it."

It has been urged "that the worst land in civilized and "appropriated countries, like England, always yields some "small rent to the proprietor; and therefore it cannot be said "that the price of produce is, in such countries, determined "by the cost of raising it on that quality of land which pays "no rent." To this the theory itself, fairly developed, provides a sufficient reply; but of the objection it may be remarked that, admitting the fact alleged to be true in common parlance, it by no means follows that it is so according to the definitions given of that charge to which the theory applies. The means of cultivation have generally, to a greater

or less extent, been supplied by the landlord, and payments for interest and profit on his outlay included in one sum, commonly called rent; and even beyond this, it is notorious that there are many farmers who pay their rent out of what they make on the best portion only, though the charge may be ostensibly made on the whole, of their land.

Another speculation is that all rent is but the effect of capital expended, a theory which has been regarded with favour, as it was supposed to afford a stronger ground for defending the right of property in land. Now, as regards value given by labour, it is evident that it cannot subsist longer than the beneficial effects of that labour. If a man plough and sow a field, his just rights are fully satisfied if he be permitted to reap the crop. He has done no permanent good to the land; on the contrary, probably leaves it in rather a worse condition than he found it. No right, therefore, to permanent property in land can be conferred solely by the mere act of cultivation. The right to benefit by temporary improvement must, in like manner, be as temporary as the improvement effected. Permanent improvements, as we have seen, come under the same laws as those which govern rent, and their value also is absolutely conditional on the continuance of their utility. If we suppose part of the labour expended on such land as we designated by C and D, to have been devoted to works of the utmost utility at the time, and of the most lasting character, still they cannot be held to avail more as giving a permanent value to land, than if these advantages, acquired by art and labour, had been originally conferred by nature. Yet the discovery of more productive land, of sufficient extent to supply all the wants of the community at a less expenditure of labour, rendered all these acquired advantages utterly valueless. And what is true of the application of labour must hold equally good of capital expended. If the property made, directly or

indirectly, by labour were purchased by capital, it is evident that no better title or security could be given, than that which the seller himself originally possessed; the natural conditions under which rent inevitably rises, falls, or ceases to exist at all, do not bear any necessary relation to the expenditure of capital. The right, however, to property in land certainly does not stand in need of any special defence.

The last objection to which we shall refer is that the accounts we actually possess of the course adopted by early cultivators, shows that in point of fact, they have not first occupied the most fertile lands: a line of argument which shows not only that the theory of rent has been very imperfectly apprehended, but suggests a doubt that the real basis of value has also been lost sight of. Rent arises from the different degree in which the soil yields the fruits of its natural and inherent properties to equal amounts of labour, It is proportional not to the produce of the land cultivated as compared with its extent, but to the produce yielded as compared with the labour expended. If ten men can obtain 100 quarters of corn from 50 acres of richer land, or from 100 acres of poorer soil, by the same amount of labour, it is sufficiently clear that, although one acre of the former is equal in productive power to two of the latter, the value of the produce is exactly the same, and no rent would be paid on either; or, what is the same to the argument, equal rents would be given for the different quantities of land respectively. It would not be the lands inherently the richest, but those most easily cultivated by comparatively rude and unskilled labour, that would naturally be first occupied: the feeble powers of man may be overpowered by the exuberant luxuriance of nature. Moreover, it is not only mere muscular exertion that is to be regarded: the expenditure of vital energy required to withstand not only inclement seasons, but, equally, the baleful effects of soil and climate on the human

frame, must also be taken into account. We should expect, therefore, to find that light dry soils, easily worked, would frequently be resorted to in the first instance, even in preference to richer tracts of land in the immediate neighbourhood.

The invention of better implements of husbandry; the discovery of new manures, or of a better system of cultivation or of rotation of crops, applicable especially to particular soils; the opening up of new methods of communication, by which new fields for the application of industry are rendered accessible to man's energies—all affect, not the laws or theory of rent, but the conditions upon which their operation depends. If, by the discovery of any new combination of natural agencies controllable by man, the heather-clad hills of Scotland, or the barren wastes of Cornwall, could be made to yield an ampler return to labour than the Carse of Gowrie or the rich levels of Essex, the former, instead of the latter, would afford a rent in spite of all the precedents of tradition.

The great law of value is that the products of equal quantities of labour are interchangeable without regard to the different degrees in which the utility of the labour employed is aided by inventions. This is the law of exchange-value—of that kind of value which one man may rightfully exchange with another; but real utility is essentially conferred by the operation of natural laws, the benefits of which are freely bestowed by the Great Creator on all mankind. We plant the seed: it grows we know not how. It is choked by weeds: we pull them up and know they will die, only because we have learnt that the *natural* conditions necessary to maintain vegetable life are thus broken. We bring together fire and iron, and the metal becomes soft and malleable. We plunge it in water and it becomes hard, or hammer it and it becomes tough, by virtue of its inherent properties. We twist together the fibres of cotton or wool: they do not slip away from each other, but adhere so as to form a thread.

We confine steam, and its elastic force supplies one of our most powerful agencies. We investigate the laws of nature; and as we can, by wisely-directed labour, benefit more fully by their operation, we obtain things necessary, useful, or agreeable to us, with greater ease or in greater abundance; but the natural advantages which are freely given to every one by the Almighty, cannot be made the subject of exchange between man and man. It is men's labour—the mutual services they render for each other—that alone can be interchanged. If these natural powers, so freely given, are made more serviceable to human wants by one method of applying men's labour than by another, the better mode of working is adopted and the worse abandoned. Inventions are but discoveries of the way in which these natural powers can be better utilized: the power is not inherent in the discoverer, but in Nature. The inventor, therefore, may have a claim to reward from his fellow-men, but has no right to the exclusive benefit of a power which does not exist in him. But the case is essentially different when it is Nature herself which no longer yields the same return to the same amount of human labour. The laws on which rent is founded then come into action, not to subvert, but to give effect to this fundamental principle; and only in so far as they do give effect to it, can these subordinate laws operate. Hence every invention, every discovery, every organization by which the returns yielded by Nature to labour are relatively changed, of necessity affect the incidence of rent.

To the subject of the rents of mines, it is needless to refer at length. The law by which they are governed is the same: the operation of it is apparently more irregular, only because we know less of what is contained in the bowels of the earth, than of that which is open to our view on its surface. Whether the conditions under which rent accrues really exist is less a matter of knowledge, more a matter of opinion.

A vein may be struck affording double the quantity of metal to that raised from neighbouring mines; but no one can tell how long this extraordinary rate of production will last, or whether it will increase or diminish. The rent that could be obtained for a mine depends, therefore, merely on the estimate formed of its hidden resources. If these exceed the expectations formed of them, the workers would get both their profit and a portion of what should have been rent, and grow rich; if the vein of ore unexpectedly were to be shortly worked out, they would be ruined by paying for a rent which had no existence in reality. But all such irregularities do not touch the law, which works inevitably, without regard to human error and ignorance.

There are some other cases in which exceptional charges, essentially of the nature of rent, accrue from the supply of any natural agency, required for the use of man, being accidentally limited. Thus, nothing is commonly more free to all than the winds of heaven; but if there should be a windmill on the only little hill in an extensive level district—which thus had a decided advantage over all other mills in the neighbourhood, from the wind blowing there more continuously, and moreover with more efficient force—it is evident that a mill so favourably placed would bear a premium over and above the ordinary return for the expenditure laid out upon it, solely from those working in it receiving more aid than their competitors from natural causes. This premium would be precisely the same as rent in the strictest sense of the word. If, however, a railway opened up a cheap means for farmers to take their grain elsewhere, or a steam-mill, more cheaply worked and able to grind all the corn in the district, were set up, this rent would be lost; because in the former case the partial monopoly would be broken, and in the latter, other natural agencies would be employed so effectually, as to countervail the ad-

vantage derived from a position peculiarly favourable for availing of one of them.

The highest rents ever accruing are frequently based on the mere accident of position, as when a large population gathers round some centre of industry. The rent of land near the chief offices of a Government, or in the busy haunts of commerce, is almost always enormous. Men will say that they cannot afford the time that would be wasted by living at a distance: and the monopoly will only very partially be alleviated by the best possible improvements for facilitating locomotion. It is not, of course, *time* that gives value. The natural powers, which can be used with greater efficiency from the mere advantage of position, are, in this case, those existing in ourselves. Each man individually, and men collectively, get through much more work by being thus closely brought together; and the high rents afforded are a curious proof of the great utility of the organizations of labour, which are best attained by men living in close proximity.

Premiums paid for "goodwill" also resemble rents, in so far that they add nothing to the cost of production; for the only reason there can be for paying them, is that a still larger expenditure in time and labour, if not directly in money, is thereby saved. A man also who has succeeded in organizing a business better than his neighbours, may make it over to others, who will be ready to pay him for some time a share in the profits, which may fairly be considered as representing the superior advantages they may enjoy for the better exercise of their natural power, in the unusually ample field laid open to their industry.

It is needless to multiply instances. Enough, we trust, have been given clearly to exemplify the theory; but we must add a few words on its application. Most men know very well that they cannot expect to get a permanent supply of goods of any kind for less than it costs to make them;

that if profits are excessive, competition, if it can be brought to bear, will soon bring them down; that the invention of new machines, or improved modes of working, makes things cheaper. Such rough applications of general principles are commonly made, but the laws which govern rent are very frequently misapprehended or entirely overlooked: while causes which give rise to this charge are constantly at work, as the returns yielded to labour applied to tillage or mining, are both uncertain and extremely unequal.

Clear and exact perceptions of the laws of value, as fully developed by the theory of rent, are of great practical importance, both for the elucidation of many questions of social interest at home, and for our guidance in investigating the resources of other regions abroad; for these principles apply equally, and with inevitable certainty, whether competition be open to all the world or confined, by natural or other causes, within narrow limits. Let us take, for example, the question of the supply of cotton, at the present moment one of so much interest to this country. The "effective" demand, which must come from the great mass of consumers of cotton fabrics throughout the world, will be for those goods which are really the cheapest—that is, for those on which labour has been best and most effectively employed. Manufacturers and traders cannot control this demand: they must comply with its conditions or cease to exist as a productive class: they are, in fact, but agents for carrying out, not the mere likings and wishes of consumers, but the exchanges, which they are able, and really *will*, make of the products of *their* labour. Manufacturers, therefore, can only use the raw material which, in like manner, is the cheapest. If the common interests of all are justly considered, we cannot desire the general law to be otherwise. If exceptions are to be made, it is consumers at large, not producers, who only have the power to make them. But, simple as are the

principles involved, the problem itself is a difficult and complicated one. Numerous questions arise, not indeed conflicting, but the replies to which must be conditional;—the entire solution of any one point of doubt and difficulty, depending on that of many others. What will be the extent of the "effective" demand? What effect will the necessity of paying a high cost have upon this demand? If a man can get a yard of calico as the ultimate result to him of an hour's work, he may gladly take, say, ten yards; but how will it be when he finds he can only get five yards for his ten hours' toil? Will he give more labour, or use less calico?—and to what extent? Or is there any other fabric that will more or less serve his purpose, and which he can get on easier terms? What are the districts in the world from whence cotton will in future be most cheaply supplied? Can they meet the whole of the effective demand? or to what extent will rent accrue? Our Indian Empire is deeply interested in the subject. To divert the industry of a country, especially that poor and unskilled labour which is radically so helpless, to a cultivation which cannot be carried on under ordinary conditions, is a most dangerous expedient. Whether that which is for the time being essentially rent, arising from a temporary and exceptional monopoly, be paid to the labourers under the form of wages increased far beyond the real value of their work—thus drawing away men from those occupations of which the value is securely based—or to the owners or occupiers of the soil, a reverse must come. A fall in prices, which should merely reduce wages and profits to the ordinary level, cannot be regarded as an evil; but if the cultivation thus stimulated has to be very generally abandoned when the Southern States of America again resume their production, many calamitous results will arise.

It will be said that the course of such events is entirely beyond our control—that the operation of the law of demand

and supply is inevitable, and authoritative interference of any kind with this law would be worse than useless—that if a remunerative price can be obtained for cotton or any other article it will be produced, but that if a remunerative price cannot be obtained, it will not and ought not to be produced. All this is absolutely true; but does the question end here? Regarding it from a social point of view, let us look a little further into the laws of value. Value "in exchange" does not depend upon the utility of the object produced or acquired, but on the quantity of labour necessarily employed on production. Observe the word "necessarily," for all the discussions raised upon this topic will be found to hinge upon it. The results of labour depend partly on the extent to which the powers of nature can be rendered serviceable for any particular purpose, as we have found when discussing the theory of rent; partly on the greater or less effective power which labour itself may acquire by inventions or organization, as we have seen when treating of the laws of value.

Inventions and all the aid which mechanical contrivances can afford, are open to all in the world who are able to use them: practically speaking, no one civilized country can obtain, certainly cannot long retain, any peculiar advantages over another by such means. All the resources of this nature which England can supply, are at the command both of India and of her rivals. The question, therefore, is very much narrowed to this—Can anything be done to increase the capacity of the labourers, either individually or collectively? What can be done by private enterprise? How far is it within the province of Government to give better effect to the organization of industry, in spite of the opposition of old prejudices and prescriptive class-interests, strengthened by all the baleful influences of "caste" and superstition on the one side, and the abject servility engendered by ages of

tyrannous and despotic rule on the other? Justice must hold an equal balance between oppression and fraud, the twin vices which spring from uncontrolled selfishness. The great principles of right are sacred and inviolable; but whether the administration of the law can or cannot be rendered more effective, and better adapted to the existing state of society and the actual wants of the country, is a consideration of paramount importance, not only as regards the present question, but also as affecting the future development of the industrial resources of our Eastern Empire. No doctrines of political economy teach that *laissez faire* is invariably the best maxim either for a Government or for individuals.

V.

THE CONDITIONS UNDER WHICH POSSESSIONS ARE HELD.

CAPITAL.—CREDIT.

Capital.—Consists of the Accumulation of Products of Labour, applicable to the Support of Labour: must accumulate differently, according to Individual Circumstances—The Expenditure of Capital implies the Employment of Labour—Demand for Commodities not a Demand for Labour—Illustration regarding Different Modes of expending Capital, by Mr. Mill, quoted and discussed—The Subject further illustrated more in Detail.

Capital not kept up by Hoarding, but by Constant Reproduction—Surplus Capital may be devoted to Unproductive Labour—The Production of Superfluities—Intelligence, not Strength alone, produces Results—Capital and Income—What are Luxuries?—Art, Literature, and Science unproductive in a Material Sense—Their Value to the Many—Utility the Ultimate Measure of Value—The Want of the Poor in this Country arises from Imperfect Distribution, not Insufficient Production—Population—Taxation—The Resources of a Country may be organized for War as well as for Peace—Material Arguments against War as weak as the Moral Argument is irresistible.

Fixed and Circulating Capital.

National Debt—Our Wealth kept up entirely by our Productive Organization.

Credit.—The Simple Question has been confused by Partial Explanations—A Case of an ordinary Commercial Transaction stated and explained—The Interests, direct and indirect, of the several Parties engaged in it—Fluctuations in Price: some of the Causes of them—How provided against—Mercantile Affairs necessarily complicated—The Inevitable Nature of the Risks attending them—Not Integrity only, but *Capacity* also, required to reproduce Capital.

Capital and Credit considered together, and further exemplified—The Manner with which the Capital of those not engaged in Production is used by Producers, with due Security to the Lenders.

Some further Forms of Credit explained—Frauds and Losses—Commercial Failures as much the Result of Folly and Incompetence as of Overt Fraud—The Principles of Credit cannot be enforced by the mere Operation of Law.

V.

THE CONDITIONS UNDER WHICH POSSESSIONS ARE HELD.

CAPITAL.—CREDIT.

It is impossible to proceed further in an inquiry into the resources of a nation without devoting some space to a formal consideration of capital, the conditions under which it is usually held, and the means by which its value is estimated and represented. Had our observations been presented in the shape of a formal treatise, all special allusion to the subject could hardly have been deferred for so long; but popular opinion, for "capital" and "labour," insists upon reading "capitalist" and "labourer," and our aim has been to present a view of the fundamental laws which govern value as free as possible from all such inaccurate association of ideas.

Capital is, in fact, nothing more than the accumulation of products of labour, which can be used for the support of labour. It is perfectly true, therefore, that "the employment of industry is limited by capital," except in the extreme case of a naked savage gathering enough to support life from day to day by the work of his bare hands. If he employ his labour to fashion implements of the rudest description, these are the products of that labour saved and applied to further production, and are as essentially capital as the bullion in the Bank of England. So that in a state of civilization even far less advanced than our own, the proposition may be taken as absolutely and unreservedly true. A man with "nothing but the clothes he stands in" is indeed lamentably destitute

according to our scale, but is a marvel and wonder of accumulated wealth in the eyes of a savage.

If we could suppose that the products of labour could be acquired, used, and saved by all equally—in other words, that men were all of equal capacity and industry: could all produce in the same proportion, and use in the same proportion for the support of themselves and those dependent on them: should all be exposed to the same accidents of life, sickness, and health, and good or ill fortune, as regards the returns yielded by nature to their labour, and all to produce more than they consumed—capital would accumulate equally; none would be distinctively rich or poor, but the application of both capital and labour would still be equally necessary for production, and value would be governed by the same primary laws. If all these conditions, with one obvious exception, existed, the law of rent would equally come into operation.

But we all know that none of these conditions do exist in the order of nature, and that inequality inevitably arises from causes over which the will of man has no control. It is worse than useless to attempt to consider the condition of men in reference to material possessions alone, though, as we have argued throughout to the utmost of our ability, the observance of just principles regarding the distribution of wealth acquired, is the only true basis on which the prosperity of a nation can be securely founded: and to this topic we shall again revert more practically when considering the complicated question of the remuneration of services.

In treating of wealth and capital, we generalise men according to their possession of these surplus productions of labour: they form a class from which some, by wastefulness, carelessness, or misfortune, are constantly falling, and into which others, by thrift, successful industry, or fortunate accident, are constantly rising; but the portion of commodities of primary utility which any one man can actually consume

himself is very limited, and he can only enjoy his stores by sharing them with others, who in return will work for such things as he desires. He may indeed waste their services, or accumulate objects which are of no use, or although of use, it may be in the highest sense, are not applicable to the support of workers; but for all such accumulations he must expend commodities which are generally serviceable to the wants of ordinary men; and only in so far as he, directly or indirectly, replaces or preserves such commodities can he employ the labour of others. These latter—the objects of general utility—only are capital: the former, though they may constitute wealth, cannot so be regarded.

When, therefore, we speak of the expenditure of capital, we infer the employment, directly or indirectly, of labour. We shall endeavour to indicate what are the distinctive characteristics of the former; but it is useless to attempt to draw any exact line of demarcation between capital, and wealth or property, on the one side, and labour on the other. All capital is wealth or property, but all wealth or property is not capital. Property in land is evidently not capital, but only a means of production which can be exchanged for it: it is to labour, subsisting on that which has been saved—living, that is, on capital—that the return is yielded. Labour also is aided by various implements of husbandry, by machinery, by buildings raised for shelter or convenience, which economise its effective power, all of which are alike the products of industry that has subsisted on such accumulations. When reproduction is very simple and rapid, the capital required is so small and so constantly changing that it can hardly be distinguished, but it is present, though no one would think of calling the owner a "capitalist." A man who saves or borrows ten shillings to buy a basketful of vegetables to retail in the course of the day, uses that amount of capital. A journeyman's tools may also be said to be his capital. Money

spent in education, or learning a trade or profession by which the effective power of labour is increased, may also in some sense be considered as capital spent productively.

Capital also implies wealth held applicable for the use or service of others. Thus furniture in the shop of an upholsterer is capital, bearing value according to the labour that has been usefully expended on it to meet the requirements of his customers; but it could hardly be so called after it had been sold. It would certainly still be again saleable, but it is not intended for resale or for supporting labour. It is part of the purchaser's wealth which he has devoted to his own use, enjoyment, and "consumption." We speak of capital as something characteristically exchangeable or transferable, which, when devoted to the production of commodities which are equally so, is termed productive: it is replaced: it produces not necessarily the same things, but things similarly applicable to the general wants of mankind. When capital is said to be expended unproductively, it is not necessarily implied that it has been spent foolishly or uselessly, but only that it has not been thus devoted to reproducing itself.

To the bearings of this most essential difference we have already referred in our last essay; but in treating of capital distinctively, another and a most important point has to be considered. Mr. Mill thus states what he terms "a fundamental theorem" regarding it:—"What supports and employs "productive labour, is the capital expended in setting it to "work and not the demand of purchasers for the produce of "the labour when completed. Demand for commodities is "not demand for labour. The demand for commodities deter- "mines in what particular branch the production of labour "and capital shall be employed; it determines the *direction* "of the labour, but not the more or less of the labour itself "or of the maintenance or payment of the labour."*

* Principles of Political Economy, Book i. cap. v. sec. 9.

We shall advert more particularly to the former part of the quotation, and shall repeat shortly the case stated to illustrate it, which is given at length in a note.* It is supposed, then,

* "For the better illustration of the principle, let us put the following case. "A consumer may expend his income either in buying services or commodities. "He may employ part of it in hiring journeymen bricklayers to build a house "or excavators to dig artificial lakes, or labourers to make plantations or lay "out pleasure-grounds; or, instead of this, he may expend the same value in "buying velvet and lace. The question is, whether the difference in these "two modes of expending his income affects the interest of the labouring "classes. It is plain that in the first of the two cases he employs labourers, "who will be out of employment, or at least out of that employment, in the "opposite case. But those from whom I differ say this is of no consequence, "because in buying velvet and lace he equally employs labourers—namely, "those who make velvet and lace. I contend, however, that in this last case "he does not employ labourers, but merely decides in what kind of work "some other person shall employ them. The consumer does not with his "own funds pay to the weavers and lacemakers their day's wages. He buys "the finished commodity, which has been produced by labour and capital, the "labour not being paid, nor the capital furnished, by him, but by the manu-"facturer. Suppose that he had been in the habit of expending this portion "of his income in hiring journeymen bricklayers, who laid out the amount of "their wages in food and clothing, which were also produced by labour and "capital. He, however, determines to prefer velvet, for which he thus creates "an extra demand. This demand cannot be satisfied without an extra supply, "nor can an extra supply be produced without an extra capital: where, then, "is the capital to come from? There is nothing in the consumer's change of "purpose which makes the capital of the country greater than it otherwise "was. It appears, then, that the increased demand for velvet could not for "the present be supplied, were it not that the very circumstance which gave "rise to it has set at liberty a capital of the exact amount required. The "very sum which the consumer now employs in buying velvet, formerly passed "into the hands of journeymen bricklayers, who expended it in food and "necessaries, which they now either go without, or squeeze, by their compe-"tition, from the shares of other labourers. The labour and capital, therefore, "which formerly produced necessaries for the use of these bricklayers, are "deprived of their market, and must look out for other employment, and they "find it in making velvet for the new demand. I do not mean that the "very same labour and capital which produced the necessaries, turn themselves "to producing the velvet; but, in some one or other of a hundred modes, they "take the place of that which does. There was capital in existence to do "one of two things—to make the velvet, or to produce necessaries for the "journeymen bricklayers—but not to do both. It was at the option of the "consumer which of the two should happen; and if he chooses the velvet, they "go without the necessaries. [For

that a man—whom for distinction we shall call a Squire—had been in the habit of expending a portion of his income in the direct payment of wages to journeymen employed in improving his house and gardens; but, from a change of disposition, determined to apply the same amount to buying velvet from a manufacturer, on the supposition that, as he spent the same sum on commodities which had been produced by labour, labourers would equally benefit by his outlay. It is supposed that the journeymen discharged, being no longer in receipt of wages, could not buy the food and necessaries which they formerly consumed, and, taking the extreme case for better illustration, are forced to go without. The producers, therefore, of these necessaries being deprived of their market, would have to seek other employment, and may find it in making velvet. Such changes, indeed, cannot be made directly from one kind of skilled industry to another; but the manufacturer wants men, whom he must withdraw from other work, and thus through many stages the demand for labour can reach them; and we shall assume, in this and all similar instances, that it may do so in this manner.

"For further illustration, let us suppose the same case reversed. The consumer has been accustomed to buy velvet, but resolves to discontinue that expense, and to employ the same annual sum in hiring bricklayers. If the common opinion be correct, this change in the mode of his expenditure gives no additional employment to labour, but only transfers employment from velvet-makers to bricklayers. On closer inspection, however, it will be seen that there is an increase of the total sum applied to the remuneration of labour. The velvet manufacturer, supposing him aware of the diminished demand for his commodity, diminishes the production, and sets at liberty a corresponding portion of the capital employed in the manufacture. This capital, thus withdrawn from the maintenance of velvet-makers, is not the same fund with that which the customer employs in maintaining bricklayers; it is a second fund. There are, therefore, two funds to be employed in the maintenance and remuneration of labour; where before there was only one. There is not a transfer of employment from velvet-makers to bricklayers; there is a new employment created for bricklayers, and a transfer of employment from velvet-makers to some other labourers, most probably those who produce the food and other things which the bricklayers consume."—*Principles of Political Economy*, J. S. Mill, Book i. cap. v. sec. 9.

The reverse case is then supposed. The Squire has been used to buy velvet, but determines to spend the amount so paid to the manufacturer in directly employing journeymen. If this were done suddenly, without due notice to the manufacturer, it is admitted that the amount diverted from him might be lost to him entirely, as the velvet, having become worthless from the absence of demand, could not be resold to replace the capital expended on it; but if he had received timely notice, he would only have to reduce his production accordingly, spending so much the less of his capital in making velvet, but still having the surplus with which to employ labour in other ways: it may be in supplying the food and necessaries that the journeymen, taken into pay by the Squire, would be able to purchase.

Two funds are thus shown as employed in the remuneration of labour on the second, and but one on the first supposition.

It may be said, that the simple way of getting over the difficulty would be for the manufacturer to employ the journeymen discharged by the Squire, directly or indirectly, in the way formerly explained. But this, according to our view, is just the very thing that may not be safely assumed. If indeed it does so happen, all is well; but the disastrous consequences supposed in the case given are quite as likely, in great part at least, to arise if labourers, comparatively helpless, are ruthlessly left to shift for themselves.

It seems to us, however, that Mr. Mill means something more than this, for at the conclusion of the first case supposed, it will be seen that he says:—"There was capital "in existence to do one of two things: to make the velvet, "or to produce necessaries for the journeymen bricklayers, "but not to do both. It was at the option of the consumer "which of the two should happen; and if he chooses the "velvet, they go without the necessaries." But, with all the deference due to so high an authority, we venture to affirm

that this statement is in excess of the fact on the premises originally supposed. It is admitted that a certain portion of capital is constantly employed to support labourers producing necessaries, and another distinct portion to paying journeymen. As the production of these necessaries is completed, and they are sold for consumption, the latter may in a certain sense replace, but cannot be said to take the place of, the former. It is the latter capital only that is said to be diverted to the manufacturer of velvet. We quite admit that the journeymen, by offering the amount of their wages, would not cause the immediate production of necessaries. Time, labour, and capital are required to produce these; and while the grain was growing, the men would starve. It is a mere question of time, but that time is a matter of life or death.*

The mere fact of the Squire ceasing to pay wages to journeymen, would not presumably cause the withdrawal of capital from the production of necessaries; that would be an after-effect of a cessation of demand for them. If the Squire had gone on, as before, paying wages weekly to journeymen, those wages would have replaced, continuously and by small degrees as before, the capital expended on such things as they required for their sustenance; and if we can only be sure that the journeymen will continuously earn wages, by whomsoever paid, we are safe in concluding that the production of the necessaries they consume would also go on as before.

Again: the mere fact of the Squire's wanting velvet would not give the manufacturer the capital required to enable him to make it. It will only confuse the case to suppose that he could borrow it elsewhere. The simpler case would be for the manufacturer to say to the Squire, "I have no capital to

* What an immense difference there is in the condition of a man "a little before" and of one who is "rather behind the world!" Yet, materially speaking, it consists only in having the income by a very short *time* in advance of the expenditure.

" enable me to carry out your orders without neglecting those " of my former customers; but if you will pay me by instal- " ments, as I require them to meet my increased outlay, I " will undertake to supply you with the velvet you require." He would thus employ the capital the Squire withdrew from the payment of journeymen, and disburse it again in about the same time. But in the second case as given by Mr. Mill, the velvet manufacturer is represented to us as making velvet for the Squire with capital of his own, which must have been accumulated, during some lapse of time, from the fruits of previous skill and industry. But it is something altogether new, and this second case is not, we submit, the same as the first reversed; and the second capital applicable to the remuneration of labour cannot be said to result from the mere determination of the Squire to pay journeymen himself, instead of buying velvet from the manufacturer.

More clearly to exemplify our position, let us vary the case a little, and suppose that the Squire had been paying carpenters for work done in his house, but, finding he could not properly superintend and direct them, were to make arrangements with a master-carpenter to supply him with the furniture and fittings he required. It is evident that it makes no difference to the argument, whether journeymen of one kind or another were paid directly by the Squire on the one hand, or whether a master-carpenter or a velvet manufacturer had his order on the other: except in so far as this, which we hold to be the essential, but the only essential, point in the question;—we have far stronger reason to conclude in this than the former case, that the men discharged by the Squire would really be employed by the master, and presumably at the same rate of wages. The master, indeed, would have his profit, not immediately, but after he had done his work, and that, again, he would then have to expend on labour. Nor need it be presumed that the master's profit

would come out of the wages of the workmen. The waste saved, or the greater amount of work done by aid of his intelligent supervision, make the difference out of which his profit should be derived, or he is obviously unfit for his position.

The only change would be that the journeyman, instead of going to the Squire's house on the right, would go to the master's shop on the left; and the wages necessary to replace the capital expended on necessaries for them would be forthcoming just as usual—the only probable difference being that the work would be well done instead of ill done, and the Squire, it may be hoped, would be more usefully employed on other matters.

The effect of changes such as those of which we have been treating, may perhaps better be elucidated by exemplifying more in detail the conditions affected by them. Let us suppose, then, that this same Squire is possessed of a landed estate, and capital sufficient for the immediate support of all the labourers upon it. We need make no mention of money at all. It is enough if he have sufficient store of food, clothes, and other necessaries, to sustain all on his property while the work of reproduction is being carried on. Nor need we enter into any particulars of his household or general expenses, which, we may assume, are managed and provided for separately and independently. With part of his capital, however, he supports thirty-six men, who are able to produce food, clothes, and necessaries sufficient for forty-eight men living upon his property. During the time required for production, all are supported by the Squire's stores (that is, by his capital), which periodically are replenished by the results of the labour of the thirty-six, with a surplus sufficient for the support of the twelve men in addition, which would be accruing to the Squire, also periodically, either as profit or rent, and constitute his income, disposable according to his will, but which he can only utilize by employing labourers in

one way or other. There is therefore a capital equal to the full maintenance of forty-eight men;—that is, necessaries of all kinds enough for their consumption during the whole period required for the reproduction of these commodities;—which is being constantly used and periodically replaced. Three-fourths of this, it will have been seen, are necessarily expended for the support of those who supply the wants of the whole forty-eight labourers, while out of this number one-fourth are able to devote their work to the benefit or pleasure of the Squire.

The manufacturer also we will place in the neighbourhood, employing, say, thirty men in making velvet, who, on the same scale, could only be maintained by the surplus production of ninety men. Whence they derived the capital necessary for their support while so engaged we need not inquire, but may very safely assume that it is neither more nor less than is requisite for the purpose. Incidentally, we may notice that this last capital is not presumably three times as great (that is, as ninety to thirty) as that of the manufacturer; for the amount of capital employed is proportional also to the length of time required for its replacement. Thus two men may catch, in a year, as many fish as are equal in value to the velvet other two men can make in the same time; but the capital required by the former is so quickly replaced, that a very small amount indeed will suffice for their needs at any one time; while in the latter case, the whole cost of maintenance of the two men must be found out of the manufacturer's capital, for perhaps two or three months, before the outlay can be returned to him by the sale of their produce.

Now, if the Squire were to grow tired of the work of his twelve men, and desire to procure, in lieu of their services, luxuries such as velvet, and in order to enable him to gratify his taste, were to drive them altogether away, he would, no

doubt, still have capital enough to support forty-eight men at his disposal, and only thirty-six men to maintain with it; but if labour be dependent on capital, capital in its turn is dependent on labour: and he would find, that if he wanted velvet, he must find the labour as well as the capital for it. It cannot be presumed that the manufacturer has either the one or the other for the sudden extra demand, nor, if the men were sent, could he immediately find food for them—all these the Squire would no doubt be ready to supply, but let us see how this is to be done.

If he send away twelve men out of the forty-eight, the wants of the remaining thirty-six cannot be supplied by twenty-four, for the surplus produced is a third, and not a half, of each man's labour; twenty-seven must work for common necessaries: only nine men, therefore, could be maintained while making things not applicable for the use of the labourers, and the Squire's means of gratifying his own tastes would necessarily be curtailed by one-fourth, as the direct consequence of his own reckless act.

Had he pursued another course, and, seeing that his land and other resources might be improved, had but once devoted the labour, say, of nine out of the twelve men to reproducing such things as were serviceable to all, instead of immediately on objects of no general utility, and had further been able to bring twelve men more to get their living on his land by the aid of his capital thus increased, a fourth of their labour might be devoted subsequently to any purpose he desired, without detriment to any of those who had previously been supported by aid of his resources. The surplus labour of forty-five men would eventually be at his disposal to support fifteen, whose work he might direct for his own pleasures; and whether he employed them directly in building, or indirectly in making velvet or any such luxury, the produce of his land would serve equally for their support.

If we suppose the manufacturer also to have saved additional capital, and, in anticipation of the demand, to have obtained other workmen from abroad, he would be ready to supply the velvet, but would not require the Squire's capital till the completion of the order, nor could he give employment to the Squire's men. Now, how would this affect them? There are (to revert to the old numbers) forty-eight men on the estate, and thirty-six can reproduce the capital requisite to replace the consumption of the whole of them. But the Squire does not want the labour of the twelve, which cannot be applied to velvet-making, but does want the capital they consume to pay to those who sell it. The manufacturer, however, does not want this capital immediately, but only to replace his own for a similar amount eventually. Meantime he supports twelve men, which he can only do, as we have seen, by having saved in some way the surplus labour of thirty-six. When this capital is all consumed it has to be replaced and returned to him in exchange for his velvet when completed, and the surplus labour of the Squire's thirty-six men at work will be devoted to this purpose.

But are the Squire's twelve ultimately to be left to starve? By no means; but they must partly resort to strictly reproductive labour. We must look closely to what the position is: The Squire purposes *ultimately* to divert the capital necessary to sustain twelve men to the purchase of velvet. Exchanges are presumably made on equal terms. The manufacturer, therefore, must expend an equal amount of capital on the velvet; but until this shall have been expended, he does not require it to be replaced. *Meantime* the Squire's twelve men are at work raising subsistence for themselves; the thirty-six men are at work raising enough for themselves, and, not for the Squire's twelve, who will have provided for themselves, but for the replacement of the manufacturer's capital. Indeed, if the land and other natural

resources are still available in the same degree, it will only be necessary to set nine of the twelve to work, as they will be able to produce enough for the whole, and three might be employed in any way the Squire directed. They have had time to provide for themselves, and the surplus of the thirty-six may afterwards go to manufacturers, or any one else, for aught they are concerned; or if we suppose the manufacturer to have accumulated profits, and to be desirous of beautifying *his* house and grounds, *he* might employ these three, and their wages would go to the Squire in return for the necessaries he produced in excess, and they required; and if the Squire may be supposed to want still more velvet, there is no reason why their wages should not be paid in that material.

But how would it be if the manufacturer had, without capital of his own, brought over velvet-workers, relying on the Squire to supply him with capital to support them, rather than pay wages to the old workers on his estate? It is evident that both cannot be supported out of the one capital; but there must also have been another employed for the support of the silk-workers in the place from whence they have been withdrawn: and if we can only suppose that the discharged workmen can get at it, they may be supported by it for a while; and if, further, their labour can be made productive, they might benefit rather than suffer from the change; but if it does not so happen, both capital and labour may perish.

It is the energy and intelligence that will bring this capital and labour together for reproductive employment, yielding a return out of which wages can be continuously paid, that is the true support alike of the capital and the labour.

This illustration will serve also, we trust, very clearly to show that capital is not kept up by hoarding, but by the constant reproduction of that which is consumed. Prudence

demands that ample stocks should be perpetually kept up to provide against the accidents to which all commodities are liable, and to mitigate the severity of the effects of any casual falling off in the supply from natural causes; but the materials of which this stock consists are ever changing. The mind can hardly realize such cases as these, until it becomes familiar with the idea of capital as consisting, to a great and most important extent, of those perishable necessaries which must constantly be consumed for the daily and hourly support of life, and which must constantly be supplied, but cannot immediately be reproduced: supply and demand appear equally constant, as indeed they must needs be, in the market; but while, let us say, corn has been growing, labourers must have been subsisting on other corn previously produced. When, therefore, capital is in the hands of one man, and effective labour the only possession of the other, though each is dependent on the other, the urgency of their needs is very different. If the former waits for a month, or a week even, the latter may starve; and the reason is obvious why a demand for commodities, although they can only be produced by labour, is not necessarily an effective demand for labour.

Hence the vital importance of the theorem: a blind and indiscriminating demand for commodities may, or may not, conduce to that continuous application of capital to the support of labour which is necessary for its preservation. We must look to the capital directly "expended in setting it to work." But, in all cases, it is surplus capital only that can be devoted to the support of unproductive labour, or the production of luxuries or superfluities. Labourers cannot be regarded as mere self-existing machines. As we have seen, on the terms before supposed, a capital equal to the support of thirty men in one branch of manufactures, the products of which were not adapted to general consumption, necessarily

implied the existence of another capital equal to the support of ninety engaged in supplying the wants common to all. It matters not, to the application of the principle, in what proportion production is in excess of the necessary consumption of each individual; but it is this surplus only which can be otherwise appropriated. The Squire has all along been supposed to be spending part of his *income*—that is, of the share acquired by him of the surplus products of the labour of others. He obviously, therefore, can appropriate it in whatever way he chooses. He may pay men for digging holes and filling them up again, or suffer them to be altogether idle—still they can be fed and clothed as long as his income lasts; but a manufacturer can employ his capital only on such things as will serve the uses of others, who, by purchasing them, will replace his expenditure, and enable him to carry on his business.

To take yet another case: if we suppose the Squire to be urgent to procure *immediately*, let us say (to follow another example given by Mr. Mill), a greater quantity of delicacies for his personal use than can be supplied by the surplus labour at his disposal, he can only do so by permanently diminishing his capital. Thirty-six men, subsisting on a portion of his capital, are required to reproduce that consumed by themselves and twelve others, also maintained on another portion of it, who can be employed to produce or procure delicacies as well as in any other way. It is barely possible that, by the labour of a portion of them only, he might immediately convert the necessaries required for them into luxuries for himself; but it is hardly conceivable that he could attain his object in this way. It is extremely unlikely that the common food and clothing and suchlike, which are in existence, could be turned into delicacies by any means. An entirely *new* application of labour, sustained meantime by the former, is the only probable way of getting the latter at

all: however urgent his desire may be, we may safely assume that he cannot gratify it in any other manner. Labour is essential for production, and this labour must be supplied with necessaries. He might for a time divert part or all of the labour of thirty-six; but, even if men can be supposed to consent to act in a way which evidently would lead to their speedy destruction, it could only be for a time. Reproduction would be insufficient, or cease to replace the capital expended; and labour in the same proportion must cease to exist, and and with it the possibility of his attaining his object. That a largely increased amount of labour, and consequently capital to support it, is necessary for the production of such luxuries, is proved by the very fact of their invariable costliness. In what other way can we account for their enhanced value?

When capital is thus reasonably devoted to the production of luxuries, there is no weight in the assertion that, if less were devoted to superfluities, more could be applied to necessaries; or that if the Squire, or his friends, or any one else, consumed less of the former, there would be more of the latter for labourers. It may be logically true; but the greater quantity of necessaries produced would be utterly useless, as no man can consume, with any benefit or pleasure to himself, more of such things than he requires.

What proportion of the general production will be sufficient to command the services of labourers, we cannot here inquire. Their relative position will essentially depend on their intelligence and powers of self-control—their positive position, on the proportion which the wants of the population bear to the capital which can be, and is, made available to their support; and it is a truth so essential that it cannot too constantly be kept in mind, that mere physical strength alone avails nothing, without skill and intelligence to guide it. An apprentice, however able-bodied, at first is always likely to spoil more than he makes. A journeyman can direct his powers to a certain

extent, but still works more efficiently with than without a master—otherwise, journeymen would be employed directly, without the intervention of masters at all. It is far better, for the general interests of society, for a man with capital to employ it, if he can, through those who are able usefully to direct the labour maintained by it, rather than to attempt to dispense it himself, if he have not the leisure, capacity, and experience efficiently to superintend the workmen he employs.

When the labourers are in a prosperous condition, the aggregate of their earnings renders effective a demand, which as fully controls the direction in which other capital and labour shall be employed, as that arising from the most wealthy individuals. They are not likely to want very much velvet; but all the commoner comforts, and even luxuries, of life will be required by them. Indeed, the standard of living is raised, and the luxuries of an impoverished country are esteemed necessaries by the industrious and fortunate workmen of a prosperous nation.

Mischief does not arise from a legitimate demand and consequent direction of capital to the production of things which, in a material sense, are superfluities, but from its actual waste. No limit can be assigned to the harm that can be done by the reckless prodigality of the spendthrift, who dissipates that which is absolutely necessary for reproduction. Those who think out such questions as these, will heartily sympathise with the hopeless reprobation with which Solomon speaks of "the fool." But if evil result when luxuries are produced—which, to a certain extent, save the consumption of what are called necessaries—it must arise to a still greater extent when capital is consumed and nothing made in exchange for it. When capital is consumed and not replaced, the ultimate consequences are the same, whether the expenditure is in almsgiving or on useless superfluities Whatever a man may do with an income derived from the

surplus products of labour, so long as he does not hoard, or actually destroy things commonly required as necessaries, he does no harm; and, speaking of material advantages only, it is better that he should get superfluities than nothing at all.

The same truth applies to all, whether comparatively rich or poor. Whatever they "consume," whether champagne or small beer, velvet or fustian, does good only to themselves; but all who have any surplus, which they can use at their option, are responsible for the way in which their capital, be it much or little, is expended. Their demand does not create the supply—*that* is made by those who actually apply capital to labour; but, evidently, such things only as consumers will pay for, can be produced for them. It is thus that they control absolutely the direction in which capital must be employed productively. If men have fairly earned their money, they can very truly say that they may justly do what they please with it, so long as they do not injure others; but though the obligation to do justice is imperative, it is not the only duty which man is called on to perform towards his fellow-creatures.

The examples given have been simply stated, that the inevitable working of natural laws might be shown; but it cannot be expected that their operation will be equally apparent in the vast and complex organization of existing society. The bad effects of the misdirection of capital are not so apparent: they are mitigated in individual cases by the evil being shared by others in the community, which may indeed suffer, while the fool and the wrong-doer seem to escape the just consequences of their misdeeds; and this renders the study of questions so deeply involving the best interests of humanity, at once more difficult and more important.

It may be said that we have drawn an unreal and untenable distinction between capital and income. We quite admit that it is utterly impossible to point to some necessaries

as capital, which must be applied to the support of reproductive labour, and to others as income, which may, in a material sense, be expended unproductively, without detriment to the community. The commodities, in the first instance, we must suppose to be all of the same nature—all equally serviceable to the support of labourers, whatever their condition may be; and one reason why, under such circumstances as we have supposed, capital may and ought to be applied unproductively, is simply that even those things most necessary to preserve life, are only required in certain quantities: if produced in excess, they lose their utility and value together.

If the question were only, whether things so intrinsically worthless as luxuries and delicacies could be produced without detriment to the common good of society, little interest would attach to it. But far more important issues are involved. The helpless destitute have unquestionably the first and most urgent claim for support: the care of them is a burden, which must be willingly borne. Those who minister to the spiritual and intellectual wants of mankind are essential to their well-being; and though they may, as individuals, in part also be engaged in material production for their own support, it is undeniable that art, literature, and science, especially in their higher branches, require an application of labour which, in a material sense, is directly even less productive than that devoted to making articles of luxury.

It is useless to attempt strictly to define what are luxuries. The advance of physiological science has demonstrated that many things reprobated as such by the past generation, really conduce to the mental and physical vigour of mankind; while other things, then regarded as useful or necessary, have been shown to be positively injurious to vital energy; but the principle which should guide our judgment is sufficiently evident. All luxuries which enervate men's

powers are utterly and unreservedly to be condemned; but the notion that those who during all their lives have been ill-fed and badly clothed, are more hardy than those who have been better nurtured, is entirely exploded by the more enlightened experience of the present day. Nor, unless we are to deny all analogies drawn from the works of the Creator, can we consider the attainment of beauty, even in mere form and colour, an aim unworthy of human exertion. When men are compelled to devote all their labour to supplying their daily wants, there is little hope of their advancement: they cannot rise under so heavy a burden. But so soon as they are relieved from this pressure—that is, in other words, when capital has been accumulated, on which they can for a while subsist—their progress must depend entirely on the good or ill use they make of their advantages. Our great end and object is to increase the effective power of labour, and find scope for its fuller development, for it is only to toil and labour rightly directed that Nature yields her rewards; and as soon as we can sustain industry free from such cares, the weighty responsibility of rightly directing it is imposed upon us. This has been the turning-point with many, both individuals and nations: yet there are those who can date their ruin from the first day of their prosperity.

Even in a strictly material sense, society has benefited to an incalculable extent by the inventions and discoveries of investigators into the pregnant treasures of Nature, who have carried on their researches without any regard to immediate practical results; and far beyond this, science, literature, and art have a value of the highest kind, though it is one regarding which no small confusion of ideas not uncommonly prevails. A knowledge of science, for example, is frequently regarded as "useful" in a wrong sense. The inquiries of students, even though they may attain to considerable proficiency, very rarely lead to results directly beneficial to society in any

degree commensurate with the labour devoted to the subjects they may be engaged upon, and, in this sense, their acquirements are of little or no value, except in so far as they may be able to aid the higher work of others. But is science, therefore, of no value to them, and those with whom they share their partial knowledge? Is it nothing that men, instead of wasting their powers in sloth or frivolity or debaucheries, should exercise and enlarge their faculties by endeavouring to comprehend the sublime and harmonious works of the Creator? Or, to take other grounds: is it nothing that men should be induced to take an intelligent interest in the works of their fellows, rather than degrade themselves by the indulgence of sensual gratifications, actually prejudicial to their moral and physical wellbeing? It is of the utmost importance that the time and energies of all should be usefully employed; but it is the privilege of a wealthy and prosperous community that many of its members may devote themselves to other, and higher, than material pursuits, without detriment to any of the interests of their fellow-creatures.

However closely our attention may be engaged in the inquiry into the laws which regulate the exchange of services and commodities between man and man, we must never lose sight of that which is the primary essential of value—namely, utility in its widest sense, subject only to that condition of our existence which renders us all alike dependent on the supply of purely physical wants. The question, then, must constantly arise, Does this thing produced possess any real value?—Is it useful in the position where it is placed, or in the quantity in which it is supplied? It must be borne in mind, that we are speaking now of the actual intrinsic value of commodities or services. If a man sell his silver plate, and give the value in food to the poor, it touches the question of distribution only, not our present argument. The man who buys the plate has so much the less, and the seller has

so much the more, capital with which to command the common necessaries of life. The point is, can the latter actually employ the labourers so maintained in any better way than in producing silver plate? No doubt if all the capital expended from first to last in making plate, had been employed in making or procuring cloth or bread, more cloth or bread would have been produced; but the phase of evil presented to us is not the want of these things, still less the want of means immediately available for producing them, but the want of the power of earning *wages*, for which they can be given in exchange. We have digressed somewhat from the strict limits of our subject; for capital, no doubt, consists of what men generally do value and will take in exchange for other services or commodities, not of what they might or ought so to value. We have been speaking rather of the duties connected with capital, than of what actually constitutes capital itself.

In the application of capital to the employment of industry, it is of the greatest importance to distinguish clearly between the want which arises from imperfect distribution, and that which is owing to the insufficient production of commodities. Bitter disappointment has been experienced by benevolent men who have educated labourers—tailors for example—in some branch of industry from which, owing to their want of skill, they had been deriving but a wretched subsistence; but, after all the instruction imparted, they have still been compelled to squeeze out their living by competition with other workmen in the trade. The labour is misdirected. Men cannot use more coats than they require, merely because there are tailors who want to be sustained by making them. The difficulty is, to apply capital to produce that which shall be accepted as useful by the community. There is no lack of capital or labour, or of unsatisfied wants; but the perplexity is to bring them all together—so to apply capital as to

produce results which shall meet with a demand, by means of which it may be replaced, and again rendered available for the support of labour.

Ample experience proves that no better means could be devised for the purpose in our own country than to leave individual energies free to act in any direction. They are, in the aggregate, far more potent and far more subtle in their operation, than the agency of any governmental authority; though the great machine shares inevitably in the imperfections of those who constitute, as well as of those who rule it, and it by no means follows that society may rest content with the imperfect way in which many of its duties are performed.

If the conditions with which we had to deal were unchanging, many of the problems to be solved would be comparatively easy; but they are not so. If population and the power of production were invariably in the same proportion, the extent to which capital and labour had to be devoted to supplying necessaries might be easily determined; but as numbers increase, the difficulty of satisfying the primary wants of all must, sooner or later, increase also. Labour, as we have seen, is the only just basis on which value "in exchange" can be estimated; but the real utility of labour is absolutely dependent on the extent to which the inherent resources of Nature can be made available to our uses.

When, therefore, a pressure of population forces men to resort to sterile lands, it may be that the hard toil of some will supply them with barely enough to sustain life. Things agreeable or useful may be dispensed with; but when things necessary are insufficient, population must be decreased by all the miseries of actual destitution. But even in this case (and it would be the same if we were to suppose all to share and share alike), if the land were of unequal fertility, it is quite possible that some capital might be applied unpro-

ductively without detriment to society. There is no doubt that labour would be expended to the very utmost on the land, as far as its application was attended with any increased production; but all, except the least fertile soil, would yield a surplus of food beyond that required to sustain the cultivators, which could only be expended in supporting other kinds of labour; and if this surplus were large, other necessaries, and even luxuries, might be abundant, while the supply of food was inadequate to the wants of the community. Under these conditions, the primary necessary of food would be dear, while all other things would, comparatively, be extremely cheap; but this evil would not be remedied merely by giving up superfluities. Something must actually be done to produce or procure the abundance of food requisite for the prosperity of the country, either by improving the cultivation of the soil, or by manufacturing articles which can be exchanged with other countries for that which is so urgently required.

As we have said, it is impossible exactly to define the limits of capital, and it will be inferred from the argument that these limits are variable. A large consumption of all things which conduce to the support and relief of man's estate, if generally diffused over the community, is the best indication of prosperity, provided always that enough is retained as capital to sustain the consumers while the work of reproduction is going on. Capital exists for the use of man, not man for the production of capital; but the vast accumulations, held and employed by a wealthy country, aid greatly to promote the activity and welfare of labour. There is no real opposition of interests between the rich and poor; but the weak may be crushed by evils, which will not perceptibly affect the strong, until it is too late to apply the remedy. Capital is so absolutely dependent on labour for that reproduction by which alone it can be made permanent, that the acquisition of wealth, except by direct spoliation, can hardly be injurious to the

material interests of the poor. They are far more liable to suffer from the ignorance or neglect of those who do not devote capital to develop the natural resources which may be under their control, and on which industry might be continuously engaged.

Still, if population increase, without check or restraint, a scarcity of the means of sustenance will, sooner or later, be felt. The law of nature, as exhibited in the whole vegetable and animal kingdoms, is, that the reproduction of life goes on with the most boundless exuberance. No instinct interposes to check the birth of those destined only for speedy and, apparently, purposeless destruction. Any one species, or any one individual pair of a species, living out the natural term of life, producing after their kind, and exempted, with their progeny, from forcible destruction by others, would quickly cover the whole surface of the globe adapted to sustaining them; and then—the work of mutual destruction, either actively or passively, *must* commence. Nothing can be more unreasonable than the prejudice against what are called "Malthusian" doctrines. Malthus did not ordain, but simply declared and expounded, a great natural law, against which no known power of man can contend; and it is well that the minds of men should become familiarized with the inexorable truth.

But humanity has yet breathing time. Until they shall have "replenished the earth and subdued it," men may still "be fruitful and multiply." We have no reason yet to look upon our future with despondency. We have yet new lands to people. Our manual workmen are far removed from a state of helpless dependence; and from their, as well as from the higher, ranks, are constantly springing the true workers with the brain, who, employing capital on the one hand and labour on the other, have organized and increased the productive industry of the country to so marvellous an extent. To the more effective power thus given to labour we must

look to meet the growing requirements of the nation, which, by the aid of commerce and manufactures, can bring the stores of the world to its feet. With growing intelligence and powers of self-control, we may trust that what is termed the "prudential check" may be applied to the undue increase of population. That it does already operate to some extent is proved by the fact that, in adverse times, there is a decrease in the number of marriages and births. Were it otherwise, the only ultimate check would be, as in the lower orders of creation, by death from inevitable destitution. As the common standard of our mental and physical condition is raised, we may venture to hope that more judgment and forethought will be exercised in this as in other respects.

There is another mode in which capital is applied, which has yet to be considered. *Taxes* are a part of the capital of the country appropriated by the Legislature for the use of the State; and the country has a right to demand a strict and judicious economy in their application. This we most fully and unreservedly admit, but, without entering in any way into this part of the question on its merits, shall, for the sake of argument only, assume that these revenues are well and judiciously administered. An outcry is sometimes raised that the State in general, and especially the poor, are impoverished by the weight of taxation, under which they are said to groan; and a timid and servile national policy is advocated, on the ground that the resources of the nation are more crippled by such an expenditure, than they could be even by war itself. Let us examine how far these allegations are consistent with facts.

Taxes are evidently drawn from the common capital-stock of the country—from its accumulated stores of things applicable to the maintenance of labour of various kinds. It makes no difference that, for the sake of general convenience, they are paid in money, the common representative of value:

the result is the same: the Government have the command of so much the more, individuals of so much the less, of such commodities. The question therefore is, whether any necessary or useful work of reproduction is interfered with, or whether that which is withdrawn by the Government may be considered as part of an income, which, consistently with the welfare of the people, may be devoted to the attainment of objects not necessarily material, or fitted to supply the common wants of mankind. We must keep this fact clearly in mind—viz., that the true ultimate value of anything whatever is its intrinsic value—its utility for satisfying some actual need or desire. Thus a loaf of bread may be worth a man's life if he be perishing from hunger, or a mere useless encumbrance to him if he have already a superabundance. Its value in exchange is, as we know, determined by its cost. The baker sells it to obtain indirectly the materials for making another loaf; but when the last transfer, by sale to the consumer, has been effected, we need no longer regard its value in exchange, but its real utility only. So it is with all other commodities; as long as they are merely passing from hand to hand, we need speak only of their cost or price. It is for the consumer to think in what way that, for which he has given value in exchange, will minister to his wants or pleasures. With some few partial exceptions, a thing once completed for actual consumption cannot be used for or transmuted into another, and, when it has been consumed, the nation is poorer by its real value only: its cost will have been paid away previously, to replace the capital employed on its production. The cost of any article represents the expenditure that has been laid out on it. High cost proves that the greater quantity of labour *has been* maintained to make it, but affords no indication of real value.

Now, Government pays labour just in the same way as any individual or body of men would do. If it receive

money which represents commodities on the one hand, it pays out this same money for work of various kinds on the other; and the comparison we have to institute, is between the utility of the results obtained by Government or by private enterprise. The former, however, does not enter into any competition with the latter, for providing the common necessaries of life by which labour is supported, but leaves it free to employ all the capital and men that are required for this purpose. It is quite possible that the resources, which should be devoted to keeping up the needful supply of such things, might be diverted to other objects by those in power; but if we find capital very extensively applied to many other uses, it is an ample proof that their action does not interfere with this most essential production. If, notwithstanding the exactions of the tax-gatherer, there is still capital, not only constantly seeking any reproductive employment, but actually expended in innumerable luxuries and superfluities of all kinds intended for the use of the rich only—though the cost of making them must, in great part, go to the poor—it is evident that it is not the pressure of taxation which is impoverishing the nation. And, as regards the distribution of wages among workmen, the Government dispense their resources quite as efficiently as any other employers of labour.

That taxation is a burden, no one can for a moment deny; nor must our argument be perverted into a defence of arbitrary or needless interference with the liberty or property of the subject in any manner or degree. We speak strictly to the point of the capacity of this wealthy nation to bear the taxes levied within it; and we believe the proof is ample, that there is no class which does not devote to what are at best superfluities, more than it contributes, directly or indirectly, to the support of the public expenditure. However taxes are levied, the same amount of capital remains,

only in different hands, for the support of labour; and we must look to other causes than taxation to account for the irregularity of the distribution of wealth.

Our meaning may be illustrated by supposing the case of a manufacturer employing his capital in making cloth, which he can produce, say, at 3*s.* per yard, of a good serviceable quality. However, very few of his customers will think of using it undyed; and he must expend a further amount of his capital, say 1*s.* per yard more, to colour and finish it according to their taste. Now, this second outlay of capital is by no means to be disparaged. Beauty of colour gives a very real and perfectly harmless pleasure; and it is incomparably better for the moral, intellectual, and physical welfare of the men employed in dyeing, that they should have this work to do, rather than that they should be supported in idleness. We may further suppose the manufacturer again to apply capital to a portion of the cloth, by paying embroiderers to ornament it, to such an extent as to raise the cost to 50*l.* or 100*l.* for a piece of a few square yards. It is now an expensive article of luxury, but one which a wealthy purchaser might reasonably buy as a curious work of art, with a view of encouraging the taste and skill displayed upon it, and of enabling the manufacturer to continue to pay wages to the ingenious workers.

Now it is evident that, if any great call were made on the resources of the country, all the capital and labour bestowed both on the dyeing and on the embroidery might at once be transferred to the service of the Government, without in any way interfering with the production of things essential to preserve life or health. Undyed cloth would protect men from the weather quite as well as if it were coloured. The want of embroidery would still less be felt, nor would the reason for buying it any longer exist, for the workers would be engaged in occupations far more suitable to the immediate

exigencies of the country. Neither the means nor the productive power of the consumers are necessarily diminished; and, if they will, they are perfectly able to hand over to Government all that they have previously expended in paying for the dyeing or embroidering of the cloth they used. Numberless such cases might be readily supposed; and we have only to look around us to see that an enormous amount of capital and labour might be directly diverted to the service of the State, without even sacrificing the colour of our garments. If all the labour applied to the production of things not really necessary to the preservation of life and health, were devoted to the public service, and all the income spent on them paid into the public treasury, the power and resources of the nation would be just the same; the direction of them only would be different.

If the emergency to be provided against were the danger of foreign war or invasion, we should build new forts and new frigates, instead of new streets of palaces, or ships to carry on that portion of our trade which does not supply us with necessaries. We might have gun-carriages instead of expensive equipages; cartridges instead of cotton prints; the rough fare of the camp for the luxurious banquet or comfortable meal. The farmer would be at work as before—the manufacturer would have to change the nature of his production. Able-bodied men, incapable of doing other service, would at least fill the ranks. The "navvy" would rise, while many artificers would no longer find employment for their skill. Some would benefit, others be ruined, by the change; but with enough of wholesome food, sufficient clothing, shelter, and other real necessaries, there would be as much health, strength, and vigour among us as ever. There would be only the total alteration in our tastes and in the nature of our desires. But thus far it is impossible to say that, physically speaking, the change is much for the worse. There would, no doubt, be a

good deal of loss and waste by a sudden diversion of capital; much organization destroyed; art and skill, laboriously acquired, more or less thrown away; but a more gradual change would not be attended even with these disadvantages. Nothing can well be weaker than the argument against warlike preparations on merely material grounds: it is fitting only for those who choose to ignore or forget how fiercely malignant and destructive are the passions of men, when once aroused by mortal conflict, and to believe that belligerents can be restrained from carrying out the ruthless struggles of war by any means that can be made to serve their fell purposes.

When the most vital interests of contending nations are not brought to issue, the horrors of war in modern times have been, and probably will be, mitigated to a considerable extent. The enormous cost of the armaments and *materiel* of fleets and armies can only be provided by surplus capital; the labour employed can only be supported by the surplus production of those engaged in providing the common necessaries of life. The provision, therefore, requisite for supplying the primary wants of the nation is not, in the first instance at all events, directly affected; and the worst consequences are encountered only by those engaged in actual conflict. A powerful organization of industry is required to maintain the war, composed of those who have to work and pay, but not to fight. They have less of the "glory" to dazzle their judgment, and can more fully realize the dangers, the inconveniences, and the sufferings of the country. There is some hope that the warnings of reason and forethought may be heard while there is yet time, and peace made, on terms more or less favourable, as the fortune of war may have inclined. A nation with a routed army and shattered fleet may abate its pretensions, and sue for peace on terms humiliating, but not altogether fatal, to its liberties; while the victors will hesitate to drive even a vanquished enemy to the last extremities. But when deep

passions and irreconcileable interests are at strife, who can venture to set even such bounds as these to the baleful influences of mutual hatred, inflamed alternately by success or defeat? When all the energies of powerful communities are turned to the work of mutual destruction—when the only prosperity valued is that founded on the ruin of the enemy, what can stay their mad career but the exhaustion of utter ruin? It is needless to pursue the theme. The moral arguments against war, and all that leads to war, are as strong, as we believe the material arguments against a due preparation for defence, are utterly weak and inconclusive.

If, indeed, we could believe that envy, covetousness, the lust of power, all the hateful vices that hurry on men and nations to mortal strife, had lost their power in the world, we might admit that an attitude of harmless helplessness was the best security against aggression. As it is not so, we would say rather, that it is the peacefulness of power only which commands safety, respect, or imitation.

Our illustration may serve to exemplify several facts. It will be seen that a martial nation, fond of fame and "the pomp and circumstance of glorious war," with more capital than it required to provide for the common wants of its people, could very well afford to attack and harass a weak neighbour, without in any way impairing its own resources. Taxation, entailing only the sacrifice of some superfluities, would be willingly paid for the gratification of a ruling passion; and the check to aggression could only come from a power able to retaliate the injuries inflicted on it. Of the moral evil of such wars we need not speak, nor of their degrading effects on the civilization of the country provoking them; but on merely material grounds they can hardly be shown to be hurtful.

If trade, as it is sometimes vulgarly represented to be, consisted only in hard selfish bargain-driving, it would not

tend to promote peace, but rather war, whereby one nation might endeavour to depress, destroy, or drive a hard bargain with another, as history amply shows. But where the true principles of commerce are rightly understood, and foreigners are regarded, not as rivals, but as fellow-workers, those feelings of mutual trust and regard spring up, which are the only true security for peace, and which are the more potent, as these humanizing influences are more widely and generally diffused.

We may notice, also, how completely the whole resources of a country could be turned against an enemy in case of stern necessity. If a people are determined to maintain their liberties, as long as they can get food and clothing, they will contrive to make arms and ammunition enough to maintain a struggle for all they hold dear on their own soil. Credit, and capital, in their usually distinctive forms, may be utterly destroyed; but the simplest necessaries are all that are absolutely requisite for prolonging such a conflict, which, on the other hand, can only be carried on at a vast cost by the invader.

When the pressure of war first begins to be felt, much real, and still more apparent, loss and distress arise from the diversion of industry into new channels. Under ordinary circumstances, those who profit by the change are not the more ready to part with their gains, because they are unexpected. Shopkeepers hope that their customers will continue their orders, but the requirements of the tax-gatherer must be met. Men are thrown out of the work to which they have been brought up, and for which they are best fitted, and have to begin life again and learn a new trade. Merchants and manufacturers, engaged in producing or procuring those things which can be most readily dispensed with, suffer, while those who can supply the new demand prosper greatly. The selfish among those who gain, are prone to conceal their profits: the selfish

among those who lose, to exaggerate their losses. If the pressure be sufficiently long and severe, the old system breaks up: the men of mere routine have no energies to apply to a new order of things. Bankruptcies are common, and a time-honoured fabric of credit is destroyed. Men making an annual profit of 500*l.* or 5,000*l.* from a long-established business, were esteemed worth 500*l.* or 5,000*l.* a year. Those who are doing precisely the same under the new system are only men beginning to make some money. The appearance of wealth is diminished. There is an outcry that the war has ruined and exhausted the country, and its enemies rejoice in anticipation over an easy victory. But in reality its resources are more available than ever for the purposes required. If the Government be beset by placemen and contractors, greedy of sordid gain, while all others keep aloof and do their utmost to withhold their support, then, indeed, the peril of the nation is extreme; but it will perish, *not* from a deficiency of resources, but for want of the truth, good faith, and "credit," without which they cannot be organized and made serviceable to the State. If, on the contrary, common peril or a common passion, serves only to stimulate the true and hearty patriotism of all, the disruption of the old system serves rather to facilitate the formation of the new. All thoughts are centred in the war: its all-absorbing fascination makes every other interest seem tame and poor. Activity, industry, and enterprise may be aroused to the utmost. Though the thoughts of all are bent only on destruction, the land still brings forth her increase, and Nature yields her rewards to toil. The exigencies of war demand rather the accumulation than the diminution of all things needful to maintain physical strength and vigour. Life itself has a new value if it can be expended against a hated foe. The nation waxes rich—rich in all the munitions of war—and can well sustain reverses. Abundance may prevail in her fleets and armies, and in all her borders, while

the bravest and the noblest fall, till there is not a house from which there is not one dead: dead—how nobly dead, if their death be the needful price of their country's life;—how sadly cast away, if the curse have been self-imposed through hasty pride, or the reckless arrogance of self-will.

The rapidity with which a country may recover, even from the most desolating ravages of war, shows how completely wealth is attained only by constant reproduction and the continuous exertion of labour, supported by that capital necessary to sustain labour. If the population itself be not demoralized and taught to despise all the arts of peace, a few seasons will restore the fields to their wonted fertility: the supply of all necessaries will quickly be superabundant, when the soldier can lend his aid to the farmer and the artisan: the surplus may be devoted, as before, to supporting labour engaged in repairing the waste of all other kinds of wealth. Nevertheless, it must not be forgotten that the loss and waste attending all violent and sudden changes is no light evil. Even the return of peace will, for a while, entail much hardship not only on the soldier, but on all those whose industry has been devoted to maintaining war. The man who can no longer maintain labour in a failing branch of trade sends away workmen more or less skilled by training: they have probably a good deal to learn before they are as effective in a new occupation. Moreover, all the capital expended in buildings, machinery, tools, and suchlike, for carrying on any special business, must share its fate, if it decay.

Capital, as we have yet to notice, may be either *fixed* or *circulating*. If, for example, a man buys wood and pays journeymen to make boxes with it, the sale of which reimburses him at once for all his outlay, his capital is said to be circulating. If he expend part of his capital in obtaining a sawmill and other machinery for making boxes, this portion

of his capital is said to be fixed. It is not returned to him at once, but must be saved by degrees out of the price of many boxes: every one made must bear a proportion of this outlay, over and above the cost paid directly for wages and materials, so that the owner may be able to repair, and ultimately to replace it, without again trenching on his capital. In the first case, the capital is replaced by the sale of one, in the second by that of many, productions. The difference cannot be very strictly defined, nor is it very essential; being, in fact, only a question of the degree of rapidity with which capital circulates. But this is, in fact, a point of very great practical importance, especially in times of change. There are few trades or manufactures which can be carried on without some capital so fixed, which can rarely be applied to other purposes than those for which it was originally intended. One reason why great gains or great losses are often made in times of doubt and uncertainty, is that men do not readily run the risk of incurring an outlay which a change of circumstances, that might occur at any moment, would render valueless; and if they do so, they reasonably endeavour to replace it more rapidly than they would expect to do under ordinary conditions. If the change apprehended come too quickly upon them, they lose the greater part of their venture; if it be delayed, the enhanced rate of gain is fairly theirs.

The expedient of raising money by loans, to meet the public expenditure in cases of great emergency, is a very useful one, to save the distress which would otherwise arise from the too undiscriminating and forcible diversion of capital from its accustomed channels. A national debt, raised by the State from its own citizens, is only a method of obtaining that portion of the common resources of the country which can best be spared immediately for the public service. If some time be allowed, men can, to a great extent, work out the value of their fixed

capital; and if nothing be repaired or replaced, the means of production are soon reduced to the limits of the demand. The riches of the nation will evidently be the same, whether the funds required are raised by authoritative taxation or by voluntary loan, except in so far as its productive power may be affected. If individuals have confidence in the common good faith of their countrymen, they will gladly lend to the State, on any fair terms, all the capital that they can most conveniently withdraw from failing branches of industry, and all that they do not require for increased production in trades which have been unusually profitable. The extent to which the capital of the country can be redistributed by these means, without undue pressure on any section of the community, is amazing.

That a redistribution of capital actually does take place is perfectly clear, if we do not suffer our ideas to be confused by following the course of the money, which is merely the circulating medium used for effecting the transfer. A subscriber of £1000 to a public loan, absolutely makes over that amount of actual capital to the State: of that we may be quite sure, for though no particular sum can be identified, we know that the Executive Government spend all they receive, in building ships, paying soldiers, forging cannon, in public works—in relieving, as in the case of the Irish Famine in 1846, extreme distress—in producing or procuring, directly or indirectly, such things as the exigencies of the State require. The capital of our existing debt has thus long since been expended; the labour was for the time being supported; but all that remains is the results of that labour, which, as we all know, was not generally, in a material sense, "productively" employed. The equivalent which the lender has received, is an annual charge on the national capital. He will receive his "dividends" until the Government are able to replace the capital originally subscribed, which they can only do out of new accumulations of the public revenue.

The capital of the National Debt cannot be said to have any existence at all. But there is the most ample security for the punctual payment of the stipulated annual charge on the perennial resources of the country. Hence it is that the public creditor—that is, the fundholder—can always obtain capital, if he require it. For there are constantly to be found those, with realized capital, who will give it in exchange for a periodical income so amply secured, and which, moreover, can, without any difficulty, be again transferred in like manner.*

The function of redistribution, thus casually performed by the public stocks, is one of very great utility. The capital of minors and others—of many who are either unable or unwilling to undertake the task of managing it with good material results—passes into the hands of those who are better able to employ it. The former buy, the latter sell, stock; the former get a well-secured income—the latter the means of directly or indirectly employing labour productively.

It is true that this function would be quite as efficiently performed, if the money borrowed by the State had been productively employed, and the dividends due to the public creditor were paid out of the profits accruing therefrom; but the country has done wisely in leaving such productive undertakings to the enterprise of individuals. If they do the work only as well as the Government could perform it, the aggregate wealth of the nation will be the same; but the probability is, that they can do it much better. Moreover, a people jealous of their liberties would not entrust any administration with a revenue practically beyond their own control.

Even if, to view the question from all sides, we suppose that the National Debt had never been incurred, it is not

* We have not confused our explanation with any reference to the exact terms on which our public debts have been contracted. The principle is the same, though the conditions of the special agreement, as between borrower and lender, were modified.

to be assumed that the nation would now be, by any means, proportionably the richer. If individuals, instead of the Government, had had the control of the expenditure of so much more of the capital of the country, it does not at all follow that they would have directed it to the production of things more permanent. They would, probably, have spent a large proportion on silks, laces, household servants, and luxuries of all kinds, which would equally have passed away and ceased to exist. Only such results of the labour directed and supported by them, as would have lasted to the present day, could have added to the present wealth or capital of the country. It is true that loans were taken from those who required a periodical return for their capital, which, otherwise, they would have had to seek for by employing it productively. But, on the other hand, the taxpayers, to meet the increased calls made on them, were unquestionably stimulated to employ *their* resources either more effectively, or to devote them for a longer period to productive purposes. It would be unreasonable to suppose that, out of so large an amount of capital seeking employment, some would not have been devoted to objects of permanent utility, of which we might now have been reaping the benefit; but we cannot believe that more than a part, and, probably, comparatively a very small part only, would have been so directed.

Still, the fact unquestionably remains that the dividends on the National Debt, as between the State and the fund-holder, are paid on a capital which has long since been expended; and, some will add, uselessly and wickedly, as well as unproductively, expended. But for this the nation at large, in its corporate capacity, and not individuals, were responsible; and the national resources must replace the national waste. A public debt might be fatally injurious if a country were, in the first place, to expend part of the capital required for the reproduction of things necessary and

useful, and the public creditor were subsequently to expend unproductively, as he would undoubtedly have the power to do, all his portion of the general income accruing periodically, instead of applying part of it to replace the capital deficient, on this supposition, for the necessary work of reproduction.

As regards our own country, the arguments adduced to prove that taxation is not the cause of the depression of its industry, apply *à fortiori* to that part of it which is required to pay the interest of the National Debt. If the whole of the National Debt were expunged from the books to-morrow, the country would not be the richer. There would not be one farthing's worth more of capital with which to support labour. There would only be a sudden transfer of annual income from the fundholder to the taxpayer, while the whole credit of the nation—the only means by which the public burdens can be distributed, without undue pressure to those who are in the best position immediately to support them—would be destroyed. Capital would disappear: it might be confiscated, but can only be confiscated once. No one will reproduce any surplus as long as he would be liable thus again to lose it; and it is no paradox to say, that a bankruptcy actually forced on a nation by the extremity of distress, would be far less injurious to it than the wilful repudiation of even a part of its just obligations. The mutual trust and confidence by which all society is bound together would not be destroyed, or necessarily even impaired, in the first case. All the resources really remaining to the nation would be made available to its exigencies in the best way that could be devised by the common consent of all. In the latter, every one with property would feel that, even though he wasted a part by withholding or concealing it, he had better do that than risk the unjust spoliation of the whole. Nevertheless, although the use of the national credit is most beneficial in adjusting the weight of extraordinary expenditure, it must be

remembered that each generation will have its own burdens to bear, and the steady reduction of the public debt in times of prosperity is one of the primary duties of every statesman who looks forward to the future capacity of his country to meet the dangers by which it may hereafter be assailed.

Our wealth and capital rest entirely on the maintenance of our vast and complex organization of productive labour, which may, and by every obligation of our duty as citizens must, be improved to the utmost, but which cannot be destroyed or intermitted without the ruin of the whole fabric. If all the real tangible wealth of the country were divided at the present moment, there would probably be little more than, perhaps not so much as, a year's consumption for every one, with a large excess of durable objects of little or no intrinsic value. Land as between man and man is worth, perhaps, thirty or forty years' purchase. If one man have capital and another land, an exchange may be effected by the former paying down a sum equal to the rental of thirty or forty years to the latter; but the means for paying these rents have all to be acquired year by year. The capital, if not either directly or indirectly employed productively, will sooner or later disappear. Although expressed in and represented by money, it must consist, in reality, of commodities applicable, more or less immediately, to the general wants and "consumption" of mankind, and which must be reproduced by the judicious application of labour. All may not be charged with the responsibility of keeping up this necessary reproduction; but all are, by the inevitable laws of nature, equally dependent upon it. All our prosperity is based on capital and labour—on capital, the accumulated results of toil fitted to support the vital powers of man—on labour, the powers which, so supported, are able, by the right application of natural means, to reproduce these results continuously.

Credit.—No question, radically simple, has ever been more confused by partial explanations than that of Credit. It has been said to be a method of increasing the actually existing capital of the country, or to be a substitute for it, though such notions could not be retained by any one who really understood the nature of capital. Credit is also apparently regarded by some popular, and most deservedly popular, writers, as a kind of delusion and mystery dependent on secrecy—as something which, of all things, cannot bear the light. Nothing can be more erroneous or more mischievous than this impression. Secrecy is no more required to maintain the credit of a merchant than that of a household. In any condition in life, incalculable mischief may be done by the propagation of mere idle scandal, even without any directly malicious design. No reputation is safe from a half-told story. A half-truth may be the most pernicious of falsehoods: and no man would permit his affairs to be commonly talked about, because, in this sense, they would be extremely liable to be misrepresented, although the actual facts stated regarding them might be strictly true.

Precisely the same reasons govern—or, unhappily, do *not* always govern—every sensible person in a private household. There is no difference in kind between the one case and the other. If there be any in degree, it is only in so far as the affairs passing through the hands of a man of business are more numerous, more complex, and more associated with the interests of others. The word "Credit," used generally, cannot be understood in too simple and literal a sense. It is trust. We may speak of intrusting a secret to another; but the trust is not associated with the general secrecy, but with the exceptional confidence. To go a step further. No one is fully justified in keeping a secret when, by so doing, the interests of others may be prejudiced, or the ends of justice defeated. A great latitude is given to lawyers—which,

owing to the generally high character of the profession, is rarely abused—in keeping back facts which may tell against their clients: the reason is, that human knowledge is so imperfect, and human judgment so fallible, that we can never be sure that circumstances, apparently the most suspicious, might not be fully accounted for, if only everything regarding them could be fully made known. Similarly with credit: certain facts may come to the knowledge of a man, which induce him strongly to suspect that a neighbour is enjoying an amount of credit to which he is not entitled; but it does not follow that it is a duty to impart suspicions so aroused to others. But such cases are exceptional. A man is likely to be more trusted—that is, to get more credit—by candour than by concealment. No doubt, in matters dependent on money, there is a temptation to a dishonest man to try to appear richer than he is; and it is undeniable, that we trust men for what they appear, and we believe them to be, not for what they really are; but this is true universally of all men, in every relation of life.

Connected with this misapprehension regarding credit, there is also a confusion of ideas regarding borrowed capital; and it appears to us impossible to arrive at any just, simple, and consistent ideas regarding credit, without further considering the various conditions under which property is held. Credit is interwoven most intimately with our commercial system: and we may perhaps most readily, at the same time, both explain and illustrate our subject, by supposing the case of an ordinary mercantile transaction, representing with strict fidelity the methods by which we are constantly supplied with many of the necessaries and comforts of life. To assist the memory, we shall add the names of places, which may be associated in some degree with the different stages of the operation described.

Let us say, then, that A of Liverpool, a dealer in the great

staple of that port, wishes to obtain a cargo of cotton from India. He is a man of good character, with the reputation of managing his business well, but of no great wealth; and he applies to his agent B, of London, who has the command of ample capital, to assist him in carrying out his plans. This B agrees to do, but does not wish to have any risk in the adventure. He has other things to attend to, and his business is rather to supply capital to other traders than to deal in commodities himself. They work together, therefore, somewhat in the following manner. Having determined upon the agent to be employed, A writes, say, to C of Bombay, directing him to buy a cargo of cotton if it can be obtained on certain conditions stated; and, in case a purchase can be so made, further directs him to repay himself by drawing a bill of exchange—to be made payable, according to the custom of the trade, six months after it has been presented—upon B, of London. This B also writes to confirm, simply engaging to "accept" the bill, if so drawn by C of Bombay; for we shall suppose that B is so well satisfied of the integrity and position of A, that he is content to undertake this responsibility unconditionally. But between A and B it is clearly understood, and probably formally expressed in writing, that the former will treat the obligation contracted by the latter for him as if it were his own: in other words, A will pay for the cotton before the bill drawn on B becomes due.

Not to follow minor details too closely, we may go on to assume, that C of Bombay has purchased a cargo of cotton according to A's instructions, and drawn upon B for the cost of it—say for 10,000*l*. But the dealers, from whom C has bought cotton, do not want a bill upon London, but rupees; and he has to find some one who wants this bill, and has coin to give for it. There is no difficulty about this, for it is well known that B may perfectly be relied upon to fulfil his engagements; and D, another merchant of Bombay, who

has been selling calicoes for E of Manchester, receiving rupees for them, is glad to make the silver over to C, in exchange for a bill which D sends to E; who, on receiving it, causes it to be presented to B of London, and B acknowledges his obligation by writing his name across the face of the bill, which is termed "accepting" it. The tenor of this bill is, C directs B to pay, on account of A, 10,000*l.* to D or "his order"—that is, to D or any one whom he may name. D then endorses, on the back of the bill itself, the order to pay, in like manner, the amount to E, or his order.

The transaction, as regards England and India, has been simply the exchange of cotton goods for an equal value of cotton. Either A or B or E in England, in conjunction with C or D in Bombay, might have effected such an exchange directly; but, as a matter of fact, it is, generally speaking, found more convenient and economical to carry on business in the manner we are describing. Probably also, neither C nor D will actually see a rupee in the whole course of their dealings;—the details of the transfer will be entirely arranged through the medium of English and Hindoo bankers.

E of Manchester, however, wishes to continue his purchases, and it does not suit his convenience to wait for six months for his money; so he goes to F, a banker, who knows nothing practically of cotton or manufactures, but believes B of London, the "acceptor" of the bill in question, to be "good;" and moreover, E, by simply endorsing or signing his name on the back of it, makes himself also liable for the amount. F then hands over a cheque for 10,000*l.* (less the six months' "discount"), at the current rate of the day, to E, who has thus cash in hand to continue his operations. F, however, is not to be supposed to be advancing his own capital. As a banker, his business is to receive money from a large body of his customers, who intrust him with the funds for which they have no immediate employment, and which he cannot more properly

use than in the manner we have supposed. His customers need not be supposed to know anything whatever of A, B, C, D, or E, still less of the cargo, which is the only basis of the operation; but it is not the less true that it is their capital which has gone to E in Manchester, and is quickly employed, probably, in carrying on the manufacture of cotton goods:—and it is, moreover, actually advanced on the security of a cargo of cotton still at sea. It would be quite impossible, however, to identify the capital as belonging to any of F's customers in particular. They pay in and draw out their money to suit themselves; but, on the average, a large aggregate balance remains on hand. There is no reason why F should not take the bill to another banker or the Bank of England, and again discount it, if he required cash before it became due; but we should only complicate our illustration by following it out further, though, by so doing, we should not in any way carry our supposed case beyond the bounds of ordinary probability.

Let us now see what is the position of all concerned in this one operation, which, for better exemplification, we shall consider as resting entirely on its own merits.

A of Liverpool has the "bills of lading," that is, receipts signed in due form by the captain of the ship for the cargo, which is thus represented by documents which can be sold or transferred. The management and risks of the transactions are his; but he is bound, in honour, to do nothing which may put it out of his power to fulfil his engagement with his agent B. He may be said, therefore, to be interested in the first degree.

B of London must pay 10,000*l.* on the very day his acceptance becomes due, whether A pay him or not; his engagement is unconditional. But he has the personal security of A, and morally, if not legally also, that of the cargo; and may, therefore, be said to be interested in the second degree.

C and D of Bombay might become liable as "drawer" and "endorser" of the bill on B, should it not be duly paid; but this is an indirect liability, which we need not consider.

E of Manchester has got 10,000*l.*, less a deduction for discount, and is responsible to F, or any subsequent holder of the bill which he has endorsed; but as A and B are between him and any ultimate loss, he may be said to be interested only in the third degree.

F the banker, who holds the bill on B, in like manner, is interested in the fourth degree; but whether he gets paid or not, his customers get back the full amount of the money they may have deposited with him.

F's customers, whose actual capital has been expended, may be said to be interested in the fifth degree, even though utterly unconscious of anything connected with the transaction. They look only to receive back their "money;" but if we suppose that this particular transaction could be identified and dealt with throughout according to its merits, they would have, first, the cotton; second, A's capital; third, fourth, and fifth, B, E, and F's, to secure their repayment.

The cargo on which all these transactions are based may still be at sea, and, for the time being, utterly useless to any one; but as soon as B's "acceptance" becomes due and is paid, the responsibility of C, D, E, and F entirely cease: also any possible right or claim, direct or indirect, that F's customers might have had on the cotton: the transaction, as far as they are all concerned, is finished and completed. But one amount of capital has been circulating. F the banker, on his own responsibility, lends his customers' capital to E of Manchester, trusting to B to replace a similar amount at a certain stipulated date. It is so replaced, and there is an end of the matter: and it will be seen on reflection that it would equally so end, even if we were to suppose that the bill had been rediscounted, and the capital replaced and replaced over and

over again. Those who lend their own capital are said to give credit; those who borrow and employ the capital of others are said to obtain credit; those who borrow and lend both give and take credit. The meaning simply is, that those who have capital, or the control of capital, lend it, because of the credence they give, either directly to the borrower, or indirectly to those whose obligations or securities are in the hands of the borrower, and transferable to the lender. Thus the banker's advance to E was supposed to be directly on the obligation of B.

It has just been said that B of London was interested only in the second degree, but that the holder of the bill on him looks to him, and him only, as answerable in the first instance for the payment of it, and does not know A at all in the transaction. This we shall endeavour to explain. When B was first introduced, he was described as a man "who had the command of ample capital;" but by our statement, the necessity of his having any capital at all does not appear, except, indeed, on the supposition of A failing to fulfil his engagement. The basis of the transaction, it must be kept in mind, is the value, or rather the *price*, of a certain commodity —B engaged to, and did, "accept" a bill for the cost of a cargo of cotton sent from Bombay. To the perils and dangers of the sea we need not refer—they can be "covered" by insurance; and if the ship be lost, the claim on the insurers, as far as the present case is concerned, takes the place of the cotton. Beyond these contingencies, however, there is the risk of fluctuations in price. No knowledge or forethought can provide altogether against these oscillations above or below the real "exchange value." Price depends on the balance of demand and supply. The latter depends often, in a very great degree, upon natural causes, which have yet to be developed while the operations of the merchant are still in progress. To take the case of cotton. The supply in India,

available for England, will naturally depend on the extent of the crop yielded, and the demand for local use or from other quarters: from China, for example, which often makes up her deficiencies from India. The aggregate supply will depend, in like manner, on the yield of the soil, and other circumstances, in America, Egypt, and other places widely separated from each other; and moreover, in all cases, wars, tumults, and other such causes may interfere still more arbitrarily with the ordinary sources of supply. The demand also for cotton in England is affected by causes equally beyond human foreknowledge: any great disaster which may impoverish, for a while, those who consume goods made from cotton, must check the demand for it. There are, also, the errors of judgment by the general body of merchants and others, who may have wrongly estimated either, or both the demand and supply. But it is worthy of casual notice, that those regularly engaged in any particular branch of trade are often not responsible for all the aberrations of this kind in it. Occasionally, a notion gets abroad that some kind of business is, or will be, unusually and exorbitantly profitable. People of all sorts are anxious to rush into it. Unhappily, there are never wanting those who will foster the cupidity of ignorant credulity for their own advantage. If experienced men counsel prudence, they are only thought to be anxious to keep "a good thing" to themselves. They can only stand aside, and suffer, more or less, the loss of the ordinary profits of their business for a time, and keep out of the impending reverse as far as they can; for the result, of course, is that far more is done than the real wants of the community require, and the capital misapplied is partially or entirely wasted. Such periods of excitement are as unreasonable and unaccountable as the panics which often follow them.

Enterprise would stagnate if our merchants were deterred from carrying on their share of the world's work by such

inevitable risks as these; but prudence dictates that certain provision should be made against them. To revert to our example. A might, perhaps, have managed to get his cargo of cotton without the aid of B at all; but being a man of "no great wealth," he acted wisely in availing himself of the services of such an agent. We shall suppose the ship to have arrived, and the cotton to be worth, in the market, far less than it cost. A is bound to pay B within a limited time, and B might compel him to sell his goods at a great sacrifice to do so. But if B treats his friends in this way, he would very soon lose his business: no one would care to have anything to do with him. A and B will, therefore, confer together; and if they consider that the price of cotton is unreasonably depreciated, B's capital or credit will again be made available for A's operation. It is not by any means an extravagant supposition, that B knows A's general position as a trader quite as well as A does himself. If the latter were hardly pressed for money, he would probably explain the state of his affairs very fully, and obtain from the former the use of capital, which would enable him to avoid the ruinous losses entailed by forced sales. We need not conclude that B would obtain from A any tangible security at all. He might or might not require it; and in either case would be acting according to the usages of business, as carried on between men of undoubted character. He might, perhaps, desire to exercise his own judgment in detail on A's position. Men are not always the best judges of their own affairs under such circumstances; nevertheless, he would wish for, and practically could obtain, nothing more than A's own statements, in detail, regarding all his transactions.

B therefore, with his large capital, becomes ostensibly, and as far as regards all others except A, actually responsible for a part, or even the whole, of A's undertakings. The former gives credit to the latter. The obligation is mutual,

and nothing conduces more to the prosperity of the country than such a union of capital and intelligent labour. B gives A the command of capital, which is thus made reproductive; and an average return, out of which both B and A are remunerated, is obtained.

What proportion the capital owned by A, or any of the others named, ought to bear to the amount obtained on credit, depends chiefly on the general nature of the risks attending the business undertaken, and also on other causes too technical for general explanation.

We have not supposed A to be a producer of any commodity; but his business as a merchant is to supply want on the one side, and prevent waste on the other. The "function" of the merchant is to put the right thing in the right place at the right time, and in the quantity required; and he has full exercise for all his faculties and experience in carrying on operations with, perhaps, all quarters of the globe. But there is no secret or mystery about his work. His transactions—as, perhaps, some of our readers will readily believe, from the specimen given of one reduced almost to its simplest form—are necessarily complicated in various ways; but his great aim is to keep all things as clear and plain as possible. Some inquirers, who would take an interest in knowing the way in which the affairs of the great commercial world are carried on, complain that they cannot understand detailed explanations of mercantile transactions. This is not to be wondered at, especially if they expect to meet with laws for conducting business in any way resembling those to be found in an exact science. There are some rules and customs, varying more or less in different places, which some pedantic people mistake for principles, and put forward as elucidations of commerce; but such details are not of the slightest interest, except to those who, for the actual conduct of business, have to make themselves acquainted with them. There are other

points of hardly more general interest, touching the arbitrary lines agreed upon, as to where one man's responsibility terminates and that of another begins—of the signification to be attached to certain acts or forms—of the duties with which men are charged under certain exceptional circumstances. Such matters are the subjects of commercial laws and regulations, which are very requisite, both to secure, as far as possible, the performance of necessary work, and prevent waste from the same work being needlessly repeated. It is impossible to make an explanation more simple than the circumstances to be explained, but the best man of business in commerce, as in other concerns, is he who keeps his affairs in the simplest order, and carries out his plans in the most direct manner possible. We all know how "things will get into confusion." The practical difficulty of regulating and subordinating a multiplicity of details is sometimes very great. Perfect simplicity, even in manners, is one of the rarest of attainments.

We have endeavoured also to show how inseparable were certain risks from all mercantile operations. To render commerce in any sense a science, far more profound generalizations of the doctrine of chances would be required than our present knowledge of facts would enable us to make. Meantime, the work has to be carried on with far more uncertain than certain data in every calculation; and, as far as that kind of knowledge is concerned which is shown in merely applying former precedents to current affairs, no man's experience, in these changing times, is worth more than a very few years' purchase. But the great fundamental laws which govern value constantly receive fuller elucidation as wider fields are more freely opened to industry. Opinions, empirically formed, regarding average production, average consumption, and average cost, are gradually corrected to a nearer approximation to certainty; and casual aberrations of price must

become less violent and frequent, as the operation of general laws is better comprehended.

The conditions under which trade is thus necessarily carried on will account for some of the apparent anomalies of credit. Truth and good faith are, unquestionably, the first essentials in all dealings between man and man. Especially in business, of any kind, there is no man who is not liable to be robbed or cheated at any hour of the day. The multiplication of forms only increases the danger. There is no equality between the man with property and the rogue. The latter concentrates all his attention on one particular object which he covets; the former has his attention generally divided over all his concerns. The simplest forms for readily exhibiting actual results are the best safeguards against frauds; but if frauds are the common rule, there is an end to all organization of society. But, beyond this, there are other most essential considerations affecting credit. All, it must be kept in mind, are "consumers;" all are alike dependent on reproduction. Any real increase or profit can only be obtained by production exceeding consumption. But all capital applied to reproduction is not reproductive: the labour supported by it may be inefficacious.

An ordinary workman apparently gets his wages and buys the commodities he requires in a very simple and obvious manner; but miners, for example, may, through ignorance or recklessness, raise as much worthless rock as useful ore, and waste not only part of their own labour, but, in effect, other labour, which will have to be employed to separate the one from the other. In a higher grade, a careless or unskilful workman may spoil a very valuable steel spring in a clumsy attempt to use it in his trade, and is thus not only not a productive, but actually a destructive, labourer. And when we come to higher grades still—where the results of labour, of a far more complex kind, may be rendered highly useful and

productive if rightly placed, or wholly or partially wasted if wrongly directed—it is evident that far more serious responsibilities necessarily attach to those who thus undertake the task of adapting and adjusting the supply of commodities to the demand.

But although, as we have seen, certain risks inevitably attend undertakings of this kind, and no man's judgment, even when exercised on known facts, is always correct; yet the average return must be adequate to replace the whole capital expended: for, even if we suppose that commodities have been actually produced in excess, the inadequacy of the demand would speedily cause a diminution or cessation of supply, until a fair value in exchange could be obtained for them. The capital expended in distribution includes the necessary remuneration of the distributors, which among merchants consists of the average profits they can make out of their operations. Men of ordinary capacity may be assumed to realize, in the long run, the average rate of profit. Unusual care, judgment, forethought, and experience may gain more, not at the expense of others, but by the actual avoidance of waste; but where these qualifications are wanting, no integrity of purpose can avert loss. The man so deficient may himself consume nothing beyond the barest necessaries of life; but all the capital under his control may be dissipated by the actual waste arising from mismanagement. It is the same with those who produce commodities; only in their case mechanical skill, special knowledge, and the power of organizing labour of different kinds, are the qualifications more directly required to ensure success, while there is frequently not the same scope for judgment and forethought. A manufacturer, who has a large amount of capital fixed in buildings and machinery only adapted to certain purposes, must, to a considerable extent, take the business he has entered upon for better or for worse; and if the demand which supports his

industry arise from various quarters, there is the greater probability of its proving equable and continuous. But those who fall decidedly below the average of competency will not, under ordinary circumstances, be able to obtain a return for their production adequate to replace the capital which they expend.

It is, therefore, wholly unreasonable to suppose that a man may be more lax in giving credit than in dispensing his own capital. If, indeed, credit were something that could be used instead of capital—were a substitute for it, which bankers or others could make at their pleasure, but only would create for their own profit—we might well expect a less measured liberality in their dealings. But a man who gives credit either lends his own capital, or takes the risk of lending that of others; and the very object of borrowing is that it may be consumed or used—consumed by productive labourers, or used in obtaining materials or commodities on which labour can be further employed; such materials having derived their value only from labour previously bestowed, which must have been sustained, in like manner, by the consumption of capital.

But, it may be said, of what does this same capital really consist? It is said, at one time, to be useful commodities, and at another to be devoted to procuring, holding, or producing commodities to be used. It is apparently referred to both as the same as, and as different from, commodities. This we shall endeavour to explain, and to do so must recapitulate a little. Capital, speaking generally, may be said to consist of those commodities requisite for the ordinary wants of men, which are constantly being consumed and constantly being reproduced, and of which some supply has to be kept in store. Fixed capital is, in fact, property, and consists of machinery, buildings, &c. devoted to the gradual reproduction of their own value. But circulating

capital, or capital in its strictest sense, consists only of those things which men are actually interchanging, the one with the other, for their immediate use or consumption. The stocks of goods, either held while further labour is being applied to them—such as cloth bought, held, and used by the dyer in carrying on his trade—or in course of transmission to distant markets, or awaiting the demand for consumption, are not yet circulating capital, but within a time, to which some definite limit can generally be assigned, are destined to become so.

It is better to dismiss all idea of money from our minds for a time: we shall get clearer perceptions by looking at things themselves, rather than at their representative. To take, first, a case where fixed capital is concerned. Let us suppose that a man has expended all his capital, directly or indirectly, on the labour required for building a manufactory. He wants more capital to support those who are to work his machinery. Another, whose capital consists of such necessaries as are required for the purpose, supplies them, in exchange for a share of the factory itself. Commodities immediately useful are thus exchanged for property, by the use of which, commodities can be produced for future consumption. Circulating and fixed capital are employed together to reproduce capital. It is evident that, although the original builder of the factory is no richer, two capitals are employed in manufacturing. We may further suppose the owner of the second capital to have no knowledge of the trade, or desire to be interested in it, and to prefer, therefore, to lend his means on the security—say as a mortgagee—of the property: for *property* only would the manufactory be to him, though the expenditure on it might be regarded as "fixed capital" by the manufacturer, who was able to employ it productively, and who has the control of both capitals and all the advantages and responsibilities attached to them—subject only to the stipulated charge for interest, and the

obligation to return the loan within such time as may have been mutually agreed upon.

To give such a case in numbers, we might express the value of the factory by 10—say, ten thousands of pounds, if the association with money assist the perception—and of the mortgage by 5. The effective power of the manufacturer is 15, though his possessions must be stated as 15 – 5, or 10. But it is evident that 15 – 5, in this instance, means something more than 10; and wherein does the difference consist? Not, certainly, in material commodities, or capital of any kind, which can all be completely expressed by numbers, but in *power*. The inestimable value of credit is, that power of this kind is increased by it in innumerable ways; but this power must not only be applied, but applied effectively and successfully, to be fully reproductive. Thus, if the returns to the manufacturer exceed his outlay—that is, if production exceed consumption—capital accumulates, with which he can pay off his mortgage: 15, then, represents alike his possessions and his effective power. The mortgagee has still his 5, and the aggregate wealth of the community is increased by one-third, or in the proportion of 20 to 15. But if more is consumed than is produced, the circulating capital is gradually lost, and perhaps, also, part of that which is fixed, by inevitable waste and deterioration; still, unless two-thirds, or the equivalent of the whole of the original 10, are dissipated, the mortgagee does not suffer; for he can compel the sale of the property assigned to him as security—that is, its transfer to some one who will return the equivalent of his original capital: the manufacturer, in this extreme case, is left with nothing, and the community is poorer in the proportion of 5 to 15.

In like manner, when capital is said to be lent on the security of commodities, those required for immediate use are exchanged for a similar kind of security upon other com-

modities, which the lender confidently expects will hereafter be taken into consumption, at a value, at the least, adequate to repay the amount of his loan, with interest thereon. Credit is given: the lender believes, first, that the borrower really has, owns, and truly describes these commodities, and, secondly, that he will not waste or destroy their value, either through subsequent dishonesty, carelessness, or incapacity; and the required capital is placed at his disposal.

The difficulty in making this manifest arises chiefly from the very perfection with which the work is done. We cannot identify the commodities of which this capital consists, and can only come to our general conclusions inferentially. Still, that which is actually done is simple enough. To revert to our former case of the transaction based on a cargo of cotton. E of Manchester obtained credit, that is, borrowed capital, from F, a banker, using the capital of others deposited with him, on the security of a bill of exchange accepted by B of London. E would not have so borrowed this capital (for which he had to pay discount) if he had not wanted it for immediate use; and therefore, unless that which he obtained from F were of immediate use, it would not have answered his purpose. We lose all clue to the commodities required, by the intervention of money, which represents in turn all alike; but this we do know—that as E paid away the money he received, those to whom he paid it would have the *immediate* command of commodities. Again: after B had fulfilled his promise to pay, and replaced to the banker F the capital borrowed by E, we supposed that A did not wish to sell his cotton—that is, did not wish to render it immediately available for consumption—but kept it in stock; and, for simplicity's sake, we shall now suppose that A, from his own or other funds at his disposal, paid B the amount of the bill accepted by him, according to the original agreement. The equivalent for all the capital expended in purchasing and bringing the cotton from

Bombay, and storing it, say, in Liverpool, has thus been fully paid by A. It is absolutely his own, but, as long as he determines to keep it, it is not, strictly speaking, capital, though capital may be said to be sunk or invested in it. Money will not buy, unless he agrees to sell it. If, either to pay other debts or to enter upon new transactions, he wants capital, he can borrow it on the security of the commodity he wishes to hold; and the money in which the loan is paid will give him, or those to whom he makes it over, the immediate command of any commodities that are for sale in the market. When he determines to sell, his commodity will, in like manner, be at the command of those who have capital. It would, in fact, be capital, and capital would be exchanged for capital. A, indeed, might receive his capital—his power of purchasing, as represented by money—from X, who might withdraw and withhold the cotton from consumers, and so on with Y and Z, and others; the same commodity being alternately invested with, and divested of, its character of capital till it finally passed into consumption.

By thus considering capital and credit together, clearer perceptions are obtained of both. All capital is commodities, but all commodities are not capital: the difference between the one and the other is accidental, not intrinsic, the condition of exchangeability being essential to the latter, which entirely agrees with the definition of capital as "that which pays labour." And it is only in so far as this same condition attaches to property applied to the purposes of reproduction, that it can be regarded as capital at all. It is obviously not meant that the property itself, in its entirety, is to be exchangeable. If the use of a factory were that it should be continuously exchanged for other factories, factories would constitute circulating capital; and the title-deeds, or whatever other instrument represented their value, would serve all the purposes of money. But, as every one knows, factories have

no value of this kind whatever.* Their only use is that the comparatively permanent stock, tools, and materials of which they are composed, can be gradually consumed in producing commodities designed for more immediate consumption: the words "fixed" or "permanent," as referring to material objects, can, in the nature of things, imply only that their use and waste is gradual, and not immediate. It will also be seen why it is considered that a banker cannot better employ the capital deposited with him than by lending it on obligations based on the possession of commodities: while "real property" of any kind, however certain may be its value, is justly deemed not to afford that *kind* of security which his business requires. The former are not only meant and designed for sale, but, so to speak, naturally merge into capital; while the latter are not only not destined for sale, so as to replace the capital advanced on it in the ordinary course of events, but may require a further outlay to render it in any way productive.

This part of the subject may be further illustrated by again referring to our former case. F, the banker, was represented as using the capital of his customers, not that of any one in particular—for all are at liberty to put in and draw out their "money," exactly as it may suit their own convenience—but the average aggregate balances left in his hands. We are not stating a theory to prove a fact, but adducing a fact to prove a theory. Every one knows that if he have "money," he can buy anything that is for sale with it as far as it will go—or he may pay this money into a bank; he may not, or he may, get interest for it, or may obtain higher interest on condition of leaving his "money" for a stipulated period: the broad fact remains, that this general power of purchasing is transferred, temporarily, to the banker; and any one who

* To rebut a supposition so preposterous, might be deemed needless; but at least one popular author of the day has coined notions as absurd out of his own erratic brain, and criticised them as doctrines of Political Economy.

chooses may convince himself of the fact, that this "money" —this unconditional immediate purchasing power—is constantly being again transferred to such men as A of Liverpool and E of Manchester, on such securities as we have described; and this, surely, is a full and sufficient proof of our argument, and one far clearer than any attempt could be to follow transactions into all their ultimate innumerable ramifications. If a man get money, we may safely conclude that he will either spend or re-invest all, except the very small proportion which he keeps, only because he cannot tell exactly what his minor immediate wants or desires may be from day to day.

We are now using the word "money" in its most extended sense, which is by no means confined to coin or bank-notes. Thus when money is said to be "easy," there is an abundance of capital, which can be applied in any way: when it is "tight," there is a scarcity of such capital, available either for holding stocks of commodities or for any other purpose.

The facilities afforded by "credit," while they greatly assist the operations of industry in practice, and in no way complicate the theory, render it more difficult to describe the means by which they are carried on. But let us state, as simply as possible, the case of a bale of British linen sold in Australia, and the value of it returned in wool. The manufacturer reimburses the flax-grower for all his outlay, in wages or otherwise. Both the one and the other are probably using their credit—that is, employing the capital of others as well as their own. The merchant, again, reimburses the manufacturer, both for the cost of the flax and all the expenses of making it into linen; and in his turn, aided by his credit, sends the linen, ready for use, to the Antipodes. It is there sold for wool: it matters not whether money—that is, coin or notes of any kind—is used in the transaction; but this quantity of wool must be sufficient to repay in England not only

the first cost of the linen, but all the charges of the merchant —disbursed, to the shipowner who carried his outward or homeward venture, to his agents abroad, to those from whom he obtained credit, and for his own expenses. There is, thus, value returned to this country for all the outlay expended from first to last on the linen, but the wool itself is of no use to any one: it is a very greasy, disagreeable thing to handle at all, as any one may find out by paying a visit to the country in shearing-time. The woollen manufacturer, however, takes over the operation from the merchant. The wholesale, and ultimately the retail, dealer in woollens, in due time repay him for the cost of the wool, as well as for his other expenses in making it into cloth; and thus, after an interval of perhaps eighteen months, value expended on linen manufacture is replaced by value again ready for the use of consumers. The labour, during all this period, cannot have been supported except by the accumulated capital of the country, rendered available, chiefly by means of credit, for the uses of all those who are engaged in different ways on the work of "production" or "distribution."

We may revert to a former example to show the way in which capital thus actually employed is borrowed "on credit," without any appreciable risk or trouble on the part of those to whom it really belongs. A bears the first brunt of the operation: he may make large profits one year, heavy losses in another, and his capital increases or diminishes accordingly. B comes next, giving support to A and others similarly engaged. It is not probable that all will be making or losing at the same time, and, to a certain extent, B controls their general business, though he is not presumed to interfere with their special transactions. If losses do overwhelm any, there is his capital to make good the deficiency. The banker, again, is further removed, and supports the business of many such as B; and the ordinary fluctuations of trade do not affect him as regards

the safety of his securities. But the supply of, and demand for, capital varies. At one time he may have ample capital to lend on securities—at another the aggregate of his balances may be low, his customers withdrawing more money for their own uses than they pay in for his. To meet independently such fluctuations as these, a large capital is required, and bankers, therefore, are generally wealthy; but, although no doubt, "money begets money," they may be said rather to be bankers because they are rich, than rich because they are bankers. The ultimate risk they incur should be extremely small, and that of their customers, again, very much less.

This feeling of security naturally gives rise to the false idea, so generally entertained, of capital as something permanent. Those who are not engaged in the actual work of reproduction, know nothing of the labour, cares, and risks of those who have to apply the mental and physical resources of the country to create again the constant supply of all things necessary for the varied wants of the community;—they know nothing of the stringent restrictions to the use of "credit," not imposed by legal forms, but by the actual difficulties of the work which those to whom it is accorded undertake to perform. And the complicated divisions of labour often very much conceal the truth, even from those who are so engaged. Men deposit or invest "money," and a year afterwards receive back their "money" with an increase in the shape of dividends or interest, and never dream that the "money" they paid in the first instance represented commodities, which have been for the most part consumed and replaced by others totally different, though equally represented by the "money" they receive.

Moreover, for many generations the country has been progressing, hardly at the worst times even stationary, in the accumulation of wealth. If, therefore, any individual may

have devoted too much of his capital unproductively, he can readily retrieve his mistake, as long as that which he does possess is esteemed useful or agreeable to others who have accumulated the results of productive labour. Thus, if a man have bought more pictures or a more expensive dwelling-house than he can afford, he cannot, indeed, make them productive. Pictures, or a dwelling-house, though "useful and agreeable," are wholly unsuited to any productive purposes; but he can transfer such objects of desire to others, who can afford to keep them, in exchange for capital, which he can make reproductive, either directly by his own exertions, or indirectly by placing it, as we have shown, at the disposal of productive labourers. But if the wants of the country required the application of all its capital to supply its more urgent necessities, property of this kind could, indeed, only be used as before; and, being unsuited to supply the more pressing needs of the community, would lose its comparative value; the misdirection of labour would be a national evil, falling immediately on him who had so misspent his capital, there being no surplus accumulated by others to compensate for his error.

The ease and certainty with which all these complex operations are carried on, and the daily material wants of all met, from day to day, by the united exertions of innumerable workers, without the superintending control of any, is, indeed, most marvellous; but, knowing that it is so, we need not *again* wonder that the capital which consists of all these things is readily adjusted, as between buyers and sellers, consumers and producers, in like manner; or that we are certain to find some circulating capital, always ready for use, to correspond with the stocks of commodities which we know are always ready to supply any ordinary demand—supply necessarily being, not in excess, but always somewhat in advance, of demand.

Some other forms in which "credit" may be used may shortly be explained and illustrated. M is a wholesale grocer, with 100 bags of sugar. He sells 50 to N at a stipulated price, to be paid in three months. N takes them away, and has them entirely under his own control. His only direct obligation is to pay a certain value at a certain time.

M's possession, expressed in numbers, is—

50 in sugar + 50, a claim on N = 100.

N's possession is—

50 in sugar – 50, due to M three months hence = 0.

N's only advantage is the remuneration he can obtain for his labour, usefully employed in distributing this sugar among consumers. He may sell, perhaps, 30 bags for cash within the first week, and, if he were merely M's agent, would be bound to take him the money received at once; but as a receiver of credit, his formal obligation is not so explicit, and M's arrangements are so made that he does not want the money at the time. This cash, however, must be held as strictly available for the due payment of M eventually as the sugar which has been given in exchange for it. To spend the money in extravagant living would evidently be flagrantly dishonest. He would then, as we have seen, absolutely consume and destroy the commodities which were placed at his disposal by the money. To lend it for *six* months, in order to obtain a higher interest for his own advantage, would be equally unfair in principle. If he buy any other commodity, expecting to sell it again, he does no wrong, on the supposition that it is absolutely certain that he can so resell it in due time to enable him to meet his engagement; but as, practically speaking, a risk does attend all such transactions, he would not be justified in so doing. He has no moral right to incur an extra risk, at the probable or possible expense of M, in the hope of getting an advantage for himself. If the possession of N must be expressed thus: 20 in sugar – 50

due to M, leaving 30 deficient, exposed to risks never contemplated by M, he has, indeed, a reason to keep his position secret, and a reason, equally bad, for telling lies, or committing actual fraud, to hide his first error.

The principle is precisely the same if we suppose M to sell, let us say, indigo to a dyer on similar conditions, which would be immediately used in a manner which would render its identification utterly impossible, though its value has been put into cloths still held in stock. The obligation of the dyer becomes more general, but not less imperative. He is bound to do nothing with his cloth by which he may put it out of his power to pay for the indigo.

In the higher branches of commerce, the machinery, so to speak, of credit is far more complex and far more perfect in its operation. The advantages of giving credit, on the one hand, and accepting it on the other, are more completely recognised as mutual. One wants to lend and employ capital indirectly, quite as much as another to receive and employ directly; but still there is the same, and only the same, general principle to look to. Greater discretionary powers are accorded, only because there is good reason to believe that the judgment and discretion exercised are greater, and that the latitude given tends to that saving of waste, and increase of production—to that good and efficient management—on which the ultimate security of all alike depends.

There are numerous other modes in which credit is given, and security taken, on commodities; but as our object is not to describe the workings of the commercial system, but simply to endeavour to explain the principles on which credit rests—what credit is in fact—we need not further pursue the subject.

There are some, we know, who will only argue that they can see no reason why A should not sell his cotton and leave B in the lurch, F squander the capital of his depositors, and N lose M's money by waste or gambling. They

know such iniquities are frequently perpetrated, and can cite many cases to prove that there is no such thing as truth and fair-dealing among men, and especially among those engaged in commerce. Such objectors, however, prove too much. They may try to demonstrate that trust is an impossible delusion; but we refuse to believe them, while so gigantic a fabric based upon it remains to stultify their assertions. Lamentable and, in every sense of the word, wasteful as the exceptions are, they do but serve to make the rule more evident, and they are often far more distinctively and completely exceptional than might be supposed.

To the grosser forms of fraud we will not refer; but a few words may not be thrown entirely away, regarding some of those projects where folly and ignorance predominate; where the defect, on the score of honesty, is rather negative and inferential, than active and positive; where those who give, are frequently as much to blame as those who obtain and misapply credit. A design is conceived: it is not at all necessary to suppose it to be extravagant or impracticable;—on the contrary, the scheme of such undertakings is often the best and only good part of them. The projectors then look about for support, but their credit does not serve them much among men of business, at whom they probably rail in return as deficient in enterprise, intelligence, or public spirit. But supporters must be found, and can only be found among the credulous—and the great stimulants to credulity are avarice and vanity. Here, then, is a grand project, which is at once to prove the superiority of all concerned in it, and to fill their pockets. Now, when such schemes are brought to them, men will often find the conscience quite as good and safe a guide as the intellect. A truly honest and sensible man would argue somewhat as follows:—"This projector wants me to subscribe my capital to his proposed scheme: he does not want my services, nor can I render him any; but, nevertheless,

he promises me great profit without risk. There is, surely something wrong here! Why am I to get a profit which I do nothing to earn? Either this man is wilfully deceiving me, or he is over-sanguine, and his judgment is not to be relied upon. In either case, I certainly shall incur the risk of which he tells me there is no danger: or if not, what a wicked extortionist I shall be, to exact from an honest and ingenious man two or three times the ordinary rate of interest for my capital!" But how many there are who will argue, both against reason and conscience, when prospects are very tempting, and precedents of brilliant success are more or less fairly quoted! Some, perhaps, do make inquiries; but, as they hear nothing positively alleged against the promoters or proposed managers, they are readily satisfied.

After any great failure, men of business—who keep clear of such concerns, and are, therefore, supposed to have known all about them from the beginning—are sometimes held morally responsible for not having warned the public, or at least inquirers, in plain and unmistakable terms, of the ruin that awaited those who were induced to embark their capital in undertakings which have come to a disastrous termination; but not fairly so. An inquiry is made regarding a man's character. Nothing is known against him; those who have been associated with him do not believe him to be worthy of credit; but that is a very different thing from being convinced that he is not worthy of credit. They are not themselves disposed to trust him, and openly say so, and it is as much as they can or ought to say. The error is on the part of the inquirers, who have no adequate idea of the extent to which intelligence, method, judgment, and experience are absolutely necessary for carrying out many of the best-devised plans. The records of recent notorious bank-failures, if carefully examined, will show how completely their affairs have drifted into ruin from the want of the active exercise of

these qualifications. Personal extravagance or direct fraud account for a very small proportion only of the losses incurred. The great cause of the dissipation of capital has simply been, that it was misapplied, and was not productive. No one was the richer; the shareholders only were the poorer.

Negative qualifications and good intentions are a very insufficient security in such cases; and it was with some reference to this essential question of the absolute necessity for good "management," that we were careful to distinguish the different degrees of responsibility attaching to those conducting the several stages of commercial operations. There cannot be a greater practical error, than for one whose knowledge is general to undertake the control of affairs requiring special experience for their right direction. The former is as valuable as, may be a higher kind of knowledge than, the latter, but cannot be substituted for it. The great losses of banks are often found to have arisen from their assuming the business of merchants or manufacturers, with a view to work out debts which at first were comparatively trifling. The extreme danger of this course is not fully seen by those who regard capital as something permanent, instead of something only to be kept up by continued reproduction or replacement. It is not a question of profit or no profit on a fixed unalienable value, but of natural and inevitable consumption, to be replaced by the complete, or more or less partial, reproduction of that which has been consumed. All capital applied to sustaining labour must be actually expended: it gives the command of a certain power, but it is only the right direction of that power which can produce any good results. A bank, moreover, has no *right* to subject its customers' capital to risks of a nature totally different from those to which only they believed it would be subjected. It is true no man can identify his capital; but, again, we can only repeat that the obligation, though extremely general, is in no degree less

imperative. Such "trusts" are, indeed, evidently very different from any that can be expressed in legal form, or enforced by process of law. The efficient administration of good laws may detect and punish fraud, and thus check and very much diminish the temptation to exceptional wrong-doing; but we cannot expect any possible legislation to do more than this, for the whole spirit of litigation is totally opposed to that of co-operation, which it is the sole aim and object of credit to assist.

Nor can any one pretend even to draw the line between venial indiscretion and culpable rashness—between permissible irregularity and downright fraud—between judicious reticence and that *suppressio veri*, which may most emphatically be a *suggestio falsi*. Nature does not thus divide day from night, but light fades into darkness through the imperceptible gradations of twilight; but, happily, no sophist has yet succeeded in confusing our ideas regarding them. We speak of the principles which ought to govern, and to a very great extent do govern, men in their mutual dealings with each other—not of such laws as man can devise to *enforce* their observance. Those who would deservedly enjoy the trust and "credit" of their fellow-men must not only avoid the night, but carefully shun the twilight.

VI.

THE MEANS BY WHICH VALUE IS REPRESENTED.

CURRENCY AND CIRCULATION.

Money—Erroneous Views regarding it—Standards of Value—Corn, Cattle, &c.—Gold and Silver—Gems—Illustration—Mutual Interchange, supposed, of Corn and Cattle—Advantage derived from One Transfer dependent on that derived from the Other—When, How, and Why Bullion should be used—The Limits of its Variation in Value in different Places—How it thus becomes a Common Measure—The Principle on which Bills of Exchange are based—In what manner they represent Commodities, though their Value is expressed in Bullion—Fallacies regarding Balance of Trade: and the superior Utility of Bullion to a Nation.

An Example, showing how Trade may really be balanced—A Permanent Standard of Value a Chimera—On the Discoveries of Gold in Australia and elsewhere—Their probable Effect—Silver as a Standard.

Coinage—Fraud by debasing Coin—The Standards of the British Coinage—A Fixed Price means only a Fixed Weight—Sir A. Alison's Objections—The Facts explained—Confusion arising from a Double Standard, and Depreciation of the Coinage in the last Century—Evils of altering the Standard—On what the Value of Gold rests—Divisions of Labour facilitated by a just Coinage; all having the same Measure—Seignorage—Economy in the Use of Money—Quantity of Money which can be kept in Circulation—Bank Notes—Fallacy of considering Notes a substitute for Money—The Argument that we do not require a Metallic Standard at all considered—Legal Provisions for securing the Integrity of the Currency—All Possessions may be represented by Paper, on their Merits, but are not a fitting Basis for Money—Paper Representatives of Railways, and of Commodities—Issue of Notes on Securities—Issue of Scottish Banks—Reasons for protecting specially the Currency—No Security designed or attained thereby against Overtrading—The Commercial Crises of 1847—Reasons for the Suspension of the Act of 1844.

Circulation of other Kinds—The Representation of Value as affecting Credit—Commercial Failures—Abuse of Bills of Exchange—Long and Short Bills—Accommodation Bills—Law can do little, Public Opinion much, to bring out Amendments in the System—Bankruptcy—The only Question should be, Has Credit been obtained by Fair Representations?—"Understandings"—Mercantile Custom—The Great Importance of making Paper truly represent Value.

VI.

THE MEANS BY WHICH VALUE IS REPRESENTED.

CURRENCY AND CIRCULATION.

It will, we trust, have been made sufficiently manifest in the previous Essays, that the fundamental laws of capital and credit do not depend on the intervention of money. The same principles would equally apply if all commerce were carried on by direct barter. But it is impossible to consider, or in any way elucidate, the existing *system* by which the interchange of all property, services, or commodities is effected, without reference to money—the common measure and representative of all value "in exchange." So essential, indeed, is it to the practical working of the daily business of civilized life, that it would be a mere anachronism to imagine any advanced state of society without it. Nevertheless, it must be borne in mind that, though value is represented, it is, strictly speaking, in no way governed by money.

We would willingly have continued our argument, merely assuming money to be the common measure of value; but so many conflicting opinions prevail regarding it, that we are forced to define what we mean by the term, which will necessarily lead us to some notice of the vexed questions of currency and circulation. There are those who think that great national advantages may be lost or attained by the regulation of the methods by which values are expressed and transferred; and the subject, therefore, directly concerns

those interested in great social problems. Our endeavour, in this as in former inquiries, will be to show the reality rather than the form—to find out what money actually is, and how it is adapted to the performance of its various functions.

It is needless to dilate upon the origin of money, or the commodities which have been adopted by rude tribes, at various times, as their standards of value. Cattle among a pastoral, corn among an agricultural, population, naturally serve the purpose for a while. Even now, palm-oil on the West Coast of Africa, beaver-skins among the North-American Indians, are the articles the real value of which is best known to traders and others there; and thus, not only is the value of all other commodities estimated in relation to them, but services are rewarded with reference to the skin or oil that might have been obtained by the same amount of labour and skill bestowed on procuring them. But in all large and extended communities where traffic is carried on, either between the remoter districts of the same country or with other nations, gold or silver, when once generally known and of recognised value, inevitably become the common measure by which the interchange of all other commodities is regulated; not by any imposed law, but by virtue of qualities actually inherent in the "precious metals"—namely, portability and durability, to which may be added divisibility. It will be evident that it must be so, if we look simply to the manner in which exchanges are effected. Why these metals should be so universally valued, among all civilized and semi-civilized peoples, we need not specially inquire; yet we must not forget that, apart from their utility as money, or for the mere display of wealth, many high and rare properties do actually appertain to them in a very peculiar degree. Iron, indeed, may be truly said to be more useful to a country; but then, the comparison is between about an ounce of gold or 15 or 16 oz. of silver, and a ton, or nearly 33,000 oz. (troy), of the

commoner metal. But it is sufficient for our argument to accept the indubitable fact.

If society were divided into very small and self-supporting communities, the need for money of any kind would not be urgent, even although there were some divisions of labour among its members. Barter does not necessarily imply that the transfer of commodities must be immediate on both sides. If A want cattle in exchange for corn, and B has cattle but does not immediately want corn, there is no reason whatever why the latter should not take his payment at any future period: on the contrary, he may agree to take grain which has yet to ripen in A's fields. It would not be the want of money, but of "credit," that would stand in the way of mutual accommodation in such simple cases as these. Loans of this nature, or for repayment in kind, are made long after the use of money has become perfectly familiar. But when the character of the obligations actually entered into becomes more complex, some common measure of value is introduced. Thus B, when he gives his cattle to A, may wish to take his choice hereafter of different kinds of grain—wheat, rye, barley, or millet; or A, on his side, may object that he cannot promise that his growing crop will be sufficient to repay the whole debt in any one grain—say in wheat—though he has a "reasonable assurance" that the aggregate produce will enable him to return the equivalent of it, and would therefore, with the consent of B, reserve the option to himself of paying in other kinds. The question then arises, of the proportion in which they are to be given and received instead of wheat, which thus becomes a common measure of value in this instance; and as such cases frequently occur, it naturally becomes the standard by which all other grain is given and received; and if a general estimate had to be formed of the value of the whole, it would most intelligibly be stated in so many measures of wheat, though the total yield of that grain

might be only a half, or far less than a half, of the whole production. Still, if it were grown in larger proportion than any other kind, and the best known to all, men's minds would certainly recur to wheat when points of comparative value had to be decided.

The same argument applies equally to cattle among a pastoral people, or to any other case which might be supposed; and the conveniences of reference to a standard, once established, are so obvious and so *real*, that its general adoption follows as a matter of course, and it can be superseded only by another which may be found by experience to be a more efficient and accurate measure of value.

Thus far we have supposed the conditions of society to be simple, and the exchanges effected to be among comparatively near neighbours. If space could be annihilated, or all things conveyed to the places where they were required, without waste or labour, value would still depend on the laws formerly explained, and vary, according to the necessary cost of production, equally in all places. But a tardy, irregular, and imperfect distribution is all that can be effected by the means at our disposal. There may be superabundance in one district, and scarcity in another, and prices below or above the true level of value. The cost and risks of transport stand, in a greater or less degree, in the way of equalization; but all exchanges will necessarily be regulated, as far as possible, by those commodities which are the least affected by those causes, and the value of which, therefore, although it may alter at different times, will vary in all places with the nearest approximation to uniformity, provided always that this value is sufficiently well known to be generally recognised, and that the supply also is adequate to the purposes required. The use of these commodities, whatever they may be, can in no way govern the value of other commodities, although it facilitates the interchange of all, and aids very much in bringing about

the equation of supply and demand, and the ultimate adjustment of price to the true cost of production.

Gold and silver, or—to use the term common to both—bullion, answers best to all these conditions. It has a recognised value among almost all nations, and both the risk and cost of keeping or transporting it are very small. It does not spoil or decay. Its value is so high in proportion to its bulk, that the actual labour of conveying it from place to place is a very trifling consideration. It can be kept without wasting, and so guarded and secreted, if need be, that it is comparatively secure from perils by violence. This perhaps may be questioned, as gold and silver are, no doubt, frequently special objects of attack; but this, generally, is only because the robbers themselves are so far kept in check, that they have no temptation to take anything which cannot readily be secured and carried away: the apparent exception serves to prove the rule. If corn or cattle were equally coveted, concealment would be impossible; and to carry away or defend such property is extremely difficult.

Gems and precious stones, from their high value and great portability and indestructibility, have often been largely used as a means of conveying money's worth, especially through troubled countries, or for long and arduous journeys; but their value is known only to so few, that they could never become a common measure for the many. The divisibility of bullion also is a very great convenience, enabling buyers and sellers exactly to adjust their claims by means of it: this very useful property is entirely wanting in precious stones.

Let us now endeavour to illustrate the natural working of these principles. We shall suppose the south of a country to be better adapted for the growth of wheat, and the north for rearing cattle. Thus, in the latter, 100 head of cattle are considered equal to 200 measures of wheat; but in the south, 85 cattle would exchange for 230 measures of the same grain:

both wheat and cattle being assumed to be of the same intrinsic value in all places, and the cost of transport of either is assumed to be one-tenth. An exchange between the two districts would readily be effected: Thus—

100 head of cattle in the North.
10 deducted for expenses, losses on the road, &c.; leaving
90 to arrive at the South, where 85 cattle were worth 230 measures: 90, therefore, would exchange for nearly . . . . . 244 Ms.

These, however, have to be taken back to the North, at a similar expenditure of one tenth for carts or mules, waste, damage, &c. 24

So that all that would be returned to the North is 220 Ms. which are there worth 110 cattle—thus showing a gain of 10 cattle.

In the same way wheat might be sent from the South to the North, yielding an increase of about 32 measures.

Now, the true "exchange" value of any commodity or chattel consists, not only of the amount of labour necessary for its production, but of that also which is required to bring it to the consumer. Thus, 230 measures southern wheat, in the South, are equivalent to 210 measures southern wheat in the North, and 100 northern cattle in the North to 90 northern cattle in the South; and the intrinsic worth of wheat and cattle being the same in all places, it is evident that the differences shown between the value of southern and northern wheat in the North—viz., as 210 to 200, and between northern and southern cattle in the South—viz., as 90 to 85, represent the advantage the community might derive from growing wheat and rearing cattle, respectively, in the places best adapted to these purposes. But it is also evident that the attainment of this advantage in the one case is contingent on the possibility of obtaining it in the other; for if we suppose the value of wheat to rise in the South, so that 200 instead of 230 measures

were to be the equivalent of 85 cattle, although the absolute advantage of sending cattle there from the North is as great as ever, the exchange could not be carried out. 90 cattle would, indeed, reach the South, at a cost equal to that expended on rearing 85 only on the spot; but for these 90, only 212 measures of wheat could be procured:—and as 21 must be expended on the costs and losses of transport, 190 only would reach the North; so that, in the aggregate, there would be a waste and not a saving of labour. If, however, the cost of rearing cattle were also to become greater in the South, so that 80 or 75 became the equivalent of 200 measures of wheat, an exchange might again be effected, the waste expended on the wheat being more than counterbalanced by the saving obtained on the cattle; but the equalization of prices would be effected still more imperfectly than before, and the whole of the costs of transport would have to be included in the value of the cattle. There would be no advantage at all in the transfer of the wheat, but the reverse; and if any other chattel or commodity, bearing an equal price in both places, could be conveyed at less expense, it would certainly be taken in preference to it.

Nothing yet known to the world will better answer the purpose thus required than bullion. It cannot absolutely be taken from place to place without risk and labour; but the costs required for transporting value in this form are reduced to the minimum, and we shall be by no means overstating our case if we take them at one part in a hundred.

If the northern drover, therefore, instead of exchanging the 90 cattle he had conveyed to the South for 212 measures of wheat, were to buy the equivalent in bullion (say 106 ingots of silver), he would have to part with one-hundredth part only, instead of one-tenth, to meet the expenses of his homeward journey, and would bring back to the North 105 ingots. But what is the value *there?* It will be evident, on

consideration, that it cannot be less than 104. For, even if we suppose silver only to be produced in the North, and not in the South at all, the difference in value can only be as 100 to 101. If the cost of production be represented by 100, that is the value of silver in the North. To this, add the costs of transit—viz., one-hundredth part—and we have 101 as the value of northern silver in the South. The waste of expenditure, for carrying silver to the South and back again, cannot therefore be more than two one-hundredth parts, while that of needlessly conveying corn or cattle only one way is ten-hundredths. And if the North and South both draw their supply from a common source, equally accessible to both, the true value would, of course, be the same in either district.

The *extreme* limit, therefore, to the differences in the value of bullion between these two places is two-hundredths: within this limit, there may be constant fluctuations. It is not a perfect ideal standard, or common measure of value, even from day to day; but it is the best we have, which can, and inevitably will, be applied to every chattel or commodity in turn, as occasion requires. All exchanges must, of course, be mutual; therefore, although cost of production, plus cost of transport, equal value in the market, it still remains to be considered, whether some addition may not, indirectly, be required to cover expenditure incurred for no other purpose than to return this value to the producers or carriers. When, as in the case first supposed, commodities or chattels can be interchanged with advantage on both sides, no such addition is made to the value of either; but, whenever the object is merely to obtain a return for value sent with the least possible increase of expenditure, recourse would certainly be had to bullion; and hence arises its peculiar "function" as money.

Thus, to recur to our illustration, cattle would continue to

be sent from the North to the South, and silver from the South to the North, until relative prices were so far equalized that no further advantage could be derived from the operation. If, with the intention of preventing this drain of silver, the people of the South were to alter the weight, or, what is essentially the same thing, debase the quality of their ingots, no effect, beyond a certain amount of mystification and confusion, could be produced. Bullion can be readily weighed, assayed, and tested in any way without losing in value; and a deterioration in the South of, say, one-tenth, could only result in nine northern being taken for ten southern ingots. It would be quite as unreasonable and ineffective a course, as to declare that a calf should be equal to a cow, or that seven instead of eight bushels should make a quarter of wheat. If, in the South, the proportion became, as in the North, 200 measures of wheat, 100 cattle, and 100 ingots of silver as equivalents, we should infer that cattle had fallen in price, wheat and silver remaining as before. But if it appeared that corn also had fallen in nearly the same proportion, without any other apparent cause, so that 230 measures of wheat or 100 cattle were the equivalents of 100 ingots of silver, we should conclude rather, that at least the greater part of the difference had arisen from a rise in the price of that metal, which, however, could only be forced above its real value, by a kind of artificial monopoly arising from a temporary scarcity. But, even on this supposition, the adjustment of value would, as nearly as possible, take place by the same means, the operation being reversed. 230 measures of wheat would suffice to transmit to the North 210 measures, which would there be worth at least 105 ingots; these would be returned to the South, and 104 ingots would replace, in part, the silver that had been withdrawn from it.

Thus, without any design or co-operation, bullion naturally

becomes the standard to which all refer in carrying out their own operations, especially as the divisions of labour become more perfect, and numerous interchanges of products of all kinds are constantly being made between the two regions. The drover will probably soon find it best to confine himself to his own business, the carrier of corn to his, and so on with others.

The next step is easy. Two men meet—say in the North. A has bullion on the spot, which he is about to take or send to the South. B has bullion there, which he wants in the North. There is an obvious advantage in effecting a mutual exchange. A can at once make over that which he has ready at hand to B, but B's treasure is at a distance, in the hands of C, a trusted agent; and he can therefore only give to A an order, letter, or tally of some kind, conveying an absolute right of possession and control of the bullion held in the South. It matters not in what form this "instrument" is drawn out, provided the object of it be plainly expressed. If complete truth and confidence existed among men, it would generally be quite sufficient for A, or A's agent, to deliver the verbal message of B to B's agent. In any case, A relies on B's word, or, at all events, on other testimony than that of his own senses, that the latter has any treasure in the South at all; but life and memory are uncertain, even when the spirit of good faith is not wanting. Bills of exchange are thus introduced in one form or other, but the real meaning is virtually the same in all—viz., that the "C" supposed has a certain amount of bullion, held in trust as it were, at the disposal of A. B states or implies the fact by drawing the bill; A gives the fullest proof of his belief in it by paying bullion in exchange for something—a piece of paper it may be—of no other use whatever than for a proof and record of his right to the treasure held by C; and there is no reason whatever why the control over the treasure so held should not

be transferred by A to D, and by D to E, and so on. If C "accept" the bill, he only confirms what has been already declared. According to the custom, which we believe obtains all over the world where such instruments are used, A, in transferring his right in exchange for "value received," would guarantee the due performance of the obligation for which B and C were primarily responsible; but this is not an essential or invariable rule. It would be perfectly reasonable for A to say to D—"You know as much, or more, than I do of B and C; if you are satisfied with their obligation, take it in exchange for the value (in whatever form it may be) that you give me; but I will not further be answerable in the matter." Indeed, in any case, the responsibility of either A or B cannot be justly unlimited as to time; and even as regards C also, it would not be right to impose on him the cost and risk of keeping bullion, for an indefinite period, constantly ready to meet the accumulated demand which might at any time be made upon him. The exact limits of the responsibilities thus imposed will differ; but the principle on which bills of exchange and all such instruments are given and received is similar, and there is no difficulty in understanding their use, if only this plain fact be kept in mind—that they are the mere representatives of value, held as it were in trust, *primarily*, for the due discharge of the obligations expressed on the face of them.

By means of such facilities as these, every trader is enabled readily to compare the value of the commodities in which he is interested, directly with bullion, although, as long as equal values are given and received in the aggregate, no actual transmission of it from place to place is required. A special work will be found for the dealer in bullion—such as the Jew, the Lombard, or more recently also the Goldsmith, of the Middle Ages—who will make it his special business to deal in such transfers, receiving bullion from some in exchange for

his bills on his agents, and paying it to others in exchange for their bills on their agents. Bullion, therefore, would pass freely and without needless cost and waste, not indeed from hand to hand, but virtually from one man's possession to another's; and thus, from being the best representative of any commodity in any place, would gradually come to be considered the representative of all commodities in all places—at all events, among those concerned in the interchanges effected by commerce. It has a "purchasing power," more universal and more easily made available than that of any other commodity.

We thus suppose trade to be so far organized that bullion is accepted, more or less distinctly, as the common measure of all value in exchange: it is no longer used only as a commodity, to be used merely for ornaments or applied to the arts or gilding, or any of those purposes by which it can be made to minister to the convenience or desires of mankind; but it acquires another and a special value, or, to speak more strictly, a special *utility*, from the manner in which it facilitates the interchange of commodities—thus directly conducing to those divisions of labour by which the effective power of industry is so greatly increased; but this peculiar utility remains dormant, as it were, as long as bullion is hoarded up. It is a productive agent only in so far as it can be made to circulate for the execution of this function.

Commerce, however, is as essentially as before an interchange of things which are necessary, useful, or agreeable to mankind, though labour and responsibility can be more effectually divided. To follow again our illustration: A, in the South, receives periodical supplies of cattle for sale from his agent in the North. He has just sold 100 for, say, 100 ingots of silver. He does not expect to have to transport this treasure; for B, a dealer in corn, who is buying wheat for the northern market, can generally take his money and

give him a bill in exchange for it. A, however, knows nothing of the corn-trade; all he looks to is, that his agent in the North shall receive silver as speedily and at as little cost as possible; but in any case, he would not take less than 99, nor can he expect to get more than 101; for, as we have assumed, bullion itself could be transferred either way for an expenditure of one one-hundredth part. It is on this principle that the exchanges—that is, the rate at which bullion is given in one place for bills of exchange made payable, also in bullion, at another—are regulated by demand and supply; but the limit to their fluctuations is set by the cost at which bullion itself can be transmitted. What A requires from B, is an undertaking to pay so much silver; and, as the mutual accommodation on the terms supposed is equal, he should get the full sum of 100 ingots, to be paid in the North. But it is not to be supposed that B is keeping this bullion there idle and unproductive. He looks to his agent to sell the corn for the silver with which A's agent is to be paid. The latter may, then, again buy cattle, send them to the South, and the operation may thus be repeated. In like manner, if B's agent had sold corn for silver, which he was not under any previous obligation to pay to A's agent, the former might still pay it to the latter, in exchange for a bill drawn on A. A's agent would, of course, be bound to send him cattle, the sale of which would enable him to pay to B the sum stipulated in silver. The obligation to pay in silver is as absolute as before. The new question introduced is this: Can the commodity actually transferred certainly be exchanged for silver at the place of its destination? Are the means taken to secure the fulfilment of the obligation, such as a prudent and reasonable man would deem adequate?

We have assumed, for the sake of illustrating a particular point, a degree of certainty and regularity which cannot practically be reckoned upon in such dealings; and, in point

of fact, both A and B would require to have a considerable reserve of bullion to enable them to meet their engagements with certainty and promptitude. How much this reserve should be depends on many circumstances, into which we need not attempt to inquire; but it would constantly be drawn upon and constantly replenished by such operations as we have described. Each would have a general interest in the other's business, represented by a sum definitely stipulated in bullion: their relations would have reference solely to the mutual accommodation they afforded each other in this respect. Beyond it, the division of labour would be complete.

When numerous transactions of such a nature are continually taking place, aided by dealers to whom common reference is made, so that the mutual wants of all may be most readily supplied, especially if some "credit" facilitates their arrangements, the economy effected is very great; and an extensive commerce is carried on with perfect ease by the aid of a comparatively small amount of bullion thus kept in constant local circulation. Still, if the aggregate amount of other commodities, sent either way, is not equal, the difference will generally be paid in bullion, because it will be less wasteful to pay in that way than in any other. Thus, if the North receive commodities to the value of a million of ingots, and send only to the extent of 900,000, however the transactions may be divided, it is evident that the worth of 100,000 ingots must be sent in discharge of the debt. The fact that a debt thus accrues is conclusive evidence that the transmission of any further commodities by the North will not yield sufficient to cover cost and charges of transmission. The indication of this in the North is that money will accumulate in the hands of the sellers of southern commodities faster than those who send northern commodities to the South can supply the bills they draw against them;

and eventually it will be found that, in fact, the aggregate value actually transmitted must be increased, or the aggregate value received, diminished. There is no escape from the dilemma; and as there is less waste of expenditure in transporting bullion than any other commodity, it will be sent, if possible, when, as we have before noticed, the only object of an actual transfer is to make a return for value already received.

The fallacy of the exploded theories regarding the "balance of trade," consisted in their having regard only to the transactions of the country with each foreign nation separately, whereas political boundaries by no means set absolute limits to the interchange of commodities. For the sake of simplicity, we have referred only to "North" and "South;" but the dealings, especially of a great commercial nation, are carried on with numerous countries, who also trade to a greater or less degree with each other. With the aid of such divisions of labour as we have endeavoured to explain, and the advantage of a common measure of value, by which all regulate their operations, innumerable methods by which capital and labour can be remuneratively employed, and interchanges indirectly effected, will be found out by individuals without any effort or control on the part of the State. But the fact that a nation, just as much as an individual, is bound to give value in one form or another for all it receives, still remains.

The kindred fallacy, that a country could only be enriched by drawing bullion from the foreigner, is also so far exploded as to require very little comment. Beyond the quantity of gold and silver which is required for consumption, the amount which can be usefully employed as money is limited. It is wanted only to give the best attainable exactness and certitude to immediate transfers of value. Men are no more capable of using an ideal standard of value, than an ideal

pound-weight or yard-measure. But all bullion, beyond that required for "consumption" and for money, is in every sense unproductive; and the task is imposed on those who receive it, of finding some way of employing and utilizing it. Indeed, when the gold or silver which is doing the work of money in one country is transferred to another, it may there properly have to be regarded only as a commodity: it may accidentally be required to perform similar functions in a new sphere; but there is no reason to presume that such will be the case. If the surplus production of things more necessary and useful is not sufficient to admit of the receivers "consuming" or holding this increased quantity of the precious metals, they must again exchange them for the commodities they more urgently require. Hence there is a probability, in the case supposed, that the bullion withdrawn from the North will find its way back there for some of the products of their industry, for which there will be an increased demand in the south.

The history of Spain affords a notable instance of the way in which the accumulation of bullion, in excess of the amount which could be employed for any useful purpose, leads to the ruin of a nation. Her material prosperity decayed, because too much of her capital was absorbed unproductively in hoarding riches. A certain stock of the precious metals is, indeed, a most useful power of purchasing held in reserve: it has, in this sense, a value of the same kind as the stocks of grain, tea, sugar, cloth, &c., held to secure the due supply of all the wants of the community. But, strictly speaking, all this holding of stocks is only a necessary waste, not a disposition of property in itself profitable. It would be far better, if only it were possible, for men's wants to be daily supplied by the daily completion of production. The practical statesmen of former times may, however, be held excused for their desire to see bullion in their country. It

implied *saving*. If a man have to buy bread or clothes, they are quickly consumed or wasted. Bullion, however, is a reserve saved. This practical point, specially within the limits of their own observation, they saw clearly enough. The error into which, in common with the theorists, they fell, was in overlooking the paramount importance of the reproduction of the things necessary and useful for the support of the population.

A striking example of the way in which the operations of traders indirectly, and almost unconsciously, subserve the general interests of commerce, may be given by briefly noticing how our trade with the United States was balanced by transactions extending over all quarters of the globe. Before the lamentable civil war in America, this country, as is well known, drew her chief supply of cotton from that quarter, as well as large quantities of corn, provisions, &c. The various products, which the United States took from us in return, fell short of the value required to pay for them by at least ten millions sterling. But what was the result? This large balance was held at their disposal, for their trade with all parts of the world. Coffee from South America, tea from China, various products from India, fruits, &c. from the Mediterranean, the rich silks of Lyons, the luxuries of Paris, sent to their ports, were to a great extent, paid for by bills drawn from all these quarters on England; bullion was oftener received from, than sent to, the United States. Again: England sent a far larger value of manufactured goods to India than India could pay for in her natural products. But India supplied China with a large amount in opium and cotton, though she could take in return only a very small quantity of such things as the Celestial Empire could supply. In China, however, the aggregate value of the tea, silk, and other commodities, sent to England and the United States, largely exceeded that of the manufactures, &c.,

sent from those countries. Hence, the bills representing exports from China, were proportionably in excess of the value received for the sale of the products of Western nations. But the means of adjustment are obvious. Part of the bills were sent in payment of the debts due to India, and Hindoo dealers in cotton and opium were frequently paid by bills, the ultimate liquidation of which was effected by the sale of tea in New York, and the transmission of its value—probably in bills representing cotton—to London. The Hindoo knew nothing of this: all he cared for was that he could sell the bill he received, drawn for so many pounds sterling, for so many rupees, and obtain in that way more rupees than if his agent in China had sent him bullion. The buyer, who would perhaps know more, but have just as little control over the operation on which the bill was based, would make his terms also with reference to the value of bullion. The Hindoo has a bill, drawn say for £1,000 sterling—for so much gold, in London—for which he wants 10,000 rupees: the intending buyer will calculate whether, if he buy silver or gold with these rupees, and send that to London, he will be likely to get there a greater or less amount of gold than £1,000; if the latter, he will take the bill. The Hindoo, in like manner, could send his bill to London, and get out silver, to be coined into rupees in India, if he thought he could obtain a better return by so doing. Such a transaction may be beyond his experience, and, indeed, inconvenient to the holders of bills generally, whose time and capital are employed in other ways; but there is obviously a useful work of equalization to be done, and bankers and banks are found to do it.

We have used the word "obviously," implying thereby that the expedients resorted to lie directly in the way of those engaged in carrying out such operations. But though obvious to them, they are by no means conspicuous to others, but the very reverse. There is no sending of vast amounts of

treasure hither and thither, conveying to the casual observer the idea of untold wealth and unwearied activity. The object is to avoid all such needless and unproductive labour. Even those engaged in carrying out a share in so complex an organization, think of little beyond their own part in it; but the work required is not the less efficiently done for the general benefit of the community.

The chimera of a permanent standard of value is one which has bewildered the imaginations of many. That all must inevitably resort to the best available common measure of value has been entirely overlooked, in the vain desire to find an unchanged and unchangeable standard. But it is impossible even to conceive of any *absolute* idea of value, especially of that value in exchange which is based on the relative quantity of labour necessary for production. This quantity of labour can in no way be measured by production, for its effective power depends greatly on the extent to which it is aided by artificial means or natural resources. It is interesting, and may be instructive, to compare the price of wheat, for example, with the rate of wages; but the increase of population may have caused a very material advance in the quantity of labour actually required to raise wheat, as less fertile soils have to be resorted to and rents accrue, while improvements in machinery may have reduced, in still larger proportion, the cost of all other commodities. The labourer, too, is changing: as his moral, intellectual, and physical capacity improves, his efficiency increases also. His condition at different periods may be approximately estimated, but essentially depends upon so many varying circumstances that it is impossible to express it by any exact formula, far less by any tangible symbols. Change—perpetual change—is the order of all creation, and our representatives of value must partake of the common nature of all things.

There is no reason whatever to assume that the cost of

production of either gold or silver is not as subject to variations as that of any other commodities. On the contrary, even so lately as the end of the sixteenth century, the proportionate value of gold to silver was declared to be as one to ten, the present ratio being as one to about fifteen—a most direct proof that there must have been a change in the actual value of one or both of these metals. But, for the reasons we have explained, these changes in the original cost of the production of bullion will affect its value in a very nearly equal degree in all parts of the world; and it will thus serve as a common measure of the value of other commodities, though its own value may be very greatly augmented or diminished. Thus, if we could suppose our yard-measure to be reduced from thirty-six to thirty or twenty-four or eighteen inches, it would equally serve as a common measure of length, if only it decreased in the same proportion throughout the whole world; though *length*, would remain unchanged, and the expression of it in yards would constantly require correction with reference to these successive diminutions, and the length measured by yards at one period could not be directly compared with the lengths so expressed at another.

This question has a special present interest, owing to the recent discoveries of new sources for the supply of that metal which has been adopted as a standard of value in our country. Hitherto the total production of gold, in all quarters, has not apparently been in excess of the requirements of the whole world. It is, however, worthy of remark, that the relative price of silver—which is, practically speaking, as accurate a common measure of comparative value in all countries—has increased by about two to three per cent. since the treasures of California were first laid open; but the largely-augmented demand for silver, for transmission to Asia, may account in great part, if not entirely, for this fluctuation. The quality which

gold possesses in a preeminent degree of serving the purposes of money, has unquestionably maintained its value to an amazing extent. The demand, hitherto, has fully kept pace with the supply. But gold, it must be remembered, is not an article which speedily decays and must as quickly be reproduced. The waste, especially of that part which is used as money, is extremely slow and gradual. The increased *annual* supply is therefore, to a very large extent, *cumulative;* and there is no reason whatever to suppose that the amount absorbed of late years into the circulation, will hereafter be required to make good the annual loss by "consumption." The fundamental laws of value, as fully explained and developed according to the theory of rent, must carefully be kept in mind when considering the question of the probable ultimate value of gold. If the new mines are not sufficient to supply the whole of the requirements of the world, it matters not how low the cost of production may be in them. Value is governed by the quantity of labour necessary for production under the least favourable conditions which have to be resorted to, for the supply of the whole "effective" demand. As long as the aggregate yield is not in excess of the requirements for the time being, rent, in one form or another, will accrue on all the more productive mines. Nevertheless, looking only to the unprecedented richness of some of the new goldfields, it may appear strange that no more marked tendency towards a decline in value has at any time been exhibited. The phenomenon however is, we think, to be accounted for by causes not likely to remain much longer in operation; and if so, the experience of late years does not in any way form a criterion for the future.

It is extremely doubtful whether the real cost of production has yet been reduced at all, so great has been the waste both of labour and of the products of labour. There is no doubt that, even amply allowing for the ill-success of

unfortunate diggers, the average yield is very large; but the average consumption of commodities also has been on a corresponding scale. The natural check to this is the competition of other workmen; but as the applications for "claims" become more numerous, allotments cannot be made with the same freedom. Men very soon have to work harder and more carefully for a less return. Changes have taken place so rapidly, that it is difficult to trace causes; but that this is usually the case, to a very considerable extent, is proved by the rush always made from old to new "diggings" whenever fresh discoveries of gold deposits are announced. It by no means follows as a necessary consequence, that the increase of competition lessens the cost of production as long as comparatively rude and isolated labour only is applied to the purpose. Smaller lots may be worked for longer periods; but as long as the average remuneration is considered equal to that which can be obtained from any other similar employment, men will continue to accept a diminishing return, and very nearly the same results will be divided among many more claimants. And this brings us to a point which has, we think, been very much overlooked. Unskilled and unorganized labour is inevitably *costly*, wasteful, and comparatively inefficient. We have yet to see to what extent the *necessary* cost of production can be reduced in these new fields, so as to bring them fully into competition with those from which we have previously drawn our supplies.

It would be foreign to our design to enter into any lengthened discussion of this question. That a reduction in the value and "purchasing power" of gold will take place at no very distant period, appears to be inevitable. The only existing interests which can be seriously affected by such a contingency are those of the holders of the public debt, annuitants, and all creditors who own long engagements, entitling them to receive fixed sums of money, payable in

gold according to the present standard. The recipients of salaries and wages, in whatever shape, would also be liable to suffer some temporary loss and inconvenience. The real value of all taxes as now levied would equally be diminished; but as the national revenue and expenditure are already subject to annual revision and readjustment, no great practical inconvenience could result from a change merely in the measure of value. And as regards debtors on the other hand, it may be justly urged that had these new mines not been discovered, and the demand for gold been sufficiently urgent to compel a resort to more expensive means of obtaining it—a supposition by no means far-fetched or unreasonable—they would, in like manner, have suffered: and would their claim to be relieved from a portion of their responsibilities have been acceded to?

Nevertheless, though in theory the nature of the changes actually taking place were very well known, practically, considerable inconvenience might be experienced from the confusion that would arise from apparent, being confounded with real, alterations of value; and to compare these fluctuations in detail by a standard, in itself varying to any considerable extent, would be almost a hopeless task. The nominal rise in the price of all property would also be likely to lead to many very erroneous and mischievous conclusions. Still this perplexing (though by no means new) element of uncertainty would be introduced only into calculations extending over any lengthened period of time, and regarding such transactions men have time to deliberate. No law in any way compels the adoption of a gold standard, if any two parties can discover and agree to adopt any other which they prefer. Thus, if a man, having real property, desire to secure for himself or others a fixed income from it for the future, he may, if he so pleases, charge it with the payment of so many quarters of wheat, or so many sheep, or so many ounces of

silver, quite as well as with so many "pounds." It is only because a preferable "standard" cannot be invented, that all are content that engagements, even for the more distant future, should be expressed by means of that commonly used.

That the value of gold and silver should vary, even slowly, from time to time, is no doubt an inconvenience, but *all things* vary; and as, independently of any law or authority, bullion will certainly be the real measure of present value common to the world, any attempt to fix a permanent standard on any other basis, however ingeniously devised, could only end in making any apprehended confusion worse confounded. We cannot entirely eliminate risk and change from any mundane possessions; and it is far better that the fact should be clearly recognised, and contracts extending over lengthened periods regulated accordingly. Or, if need arise, special evils can be remedied by special legislation. An ideal "pound" is not likely to serve the purpose either of a common measure or of a permanent standard; and the simpler and more real the pound, the easier will it be to estimate the fluctuations in its value.

If that of gold were to fall, the *relative* value of silver would, of course, rise; but if its actual value were stationary —and we do not know of any causes now likely to affect it materially—this description of bullion could be readily resorted to as a means of instituting comparisons, or even adopted as a standard altogether.

The increase in the quantity of gold required for money, other conditions remaining the same, would be in the ratio of its decrease in value. If three pounds were required to do the work of two, the nominal circulation must evidently be increased in exactly the same proportion; and all profits depending on the relative increase in the reproduction of commodities would not in any way be affected. If its value were to decline very rapidly and continuously, the utility of

gold, as money, might for a time be much impaired, for none would be willing freely to receive that which might depreciate in their hands; but this, although certainly a possible, is by no means a probable contingency. On the other hand, any material decrease in cost would certainly lead to a very largely-increased consumption of a metal intrinsically possessed of so many rare and useful qualities.

Thus far we have spoken of bullion only; for it is gold and silver, whether coined or uncoined, which in reality constitute the best attainable common measure of value for the commerce of the world. Either metal will serve for the purpose: practically speaking, the advantage which gold possesses over silver, on the score of portability and durability, is almost inappreciable, while the value of the latter is more generally recognised in many parts of the world. The comparative value of either depends, in all countries, on similar causes, and the disparity of value in different places is confined within similar limits.

The trade of the vast empire of China, with its eighteen provinces, each rivalling in industry and population a European nation, has been carried on for ages without any coinage of the precious metals; yet, at the beginning of the present century, her industrial resources probably far exceeded those of Europe. Even now, amid the desolation which is spreading over many fair regions, travellers can see a country traversed by mighty rivers, and intersected with innumerable canals, still bearing on their waters "junks" and boats adequate to the conveyance of thousands upon thousands of tons of commodities of all kinds, which are actively employed wherever all industry is not entirely paralyzed by the immediate pressure of rapine and anarchy. Probably, from mistaken ideas of social policy, only the baser metals have been coined, designed for the especial use of the agricultural population; but the operation of the natural laws of

value has been too strong for the theories of those in authority. The price of the iron and copper "cash" is governed by that of bullion, and is liable to extreme fluctuations in proportion to the cost and difficulty of transporting so bulky a measure of value, whenever its use is required for any but the local purposes for which only it is adapted. The true standard of value is the "tael" of silver,* differing slightly in weight and purity in various provinces; the nominal unit is not identical, but the disparity is adjusted by simple arithmetical calculation. Dealers in silver bullion are found in every town or large village, who, of course, have to be paid for their trouble in one way or another, and, moreover, have an advantage in knowledge, which cannot justly be turned to any good purpose, but which may be used, arbitrarily and unfairly, to the detriment of their more ignorant neighbours.

Ostensibly to remedy such evils as these, the Governments of other countries have generally assumed the sole right of coining the precious metals, authoritatively declaring and making manifest the real value of portions of bullion, shaped and impressed with well-known and recognisable symbols; we can imagine no other reason which could be assigned for the original assumption of such a function, although history only shows how entirely the idea of duty was abandoned, and that of privilege retained. The great majority of men, especially of consumers, would receive a coin as something with which they could buy what they required. How or why it possessed this property they would neither know nor care to understand. The visible form would be associated in their minds with a power of purchasing: the laws of value upon which this power was really dependent would be entirely

* The dollars introduced by foreigners were at first taken as bullion in Canton; but, since the expansion of trade, have frequently borne a high premium, owing to their practical utility as *coined* money for the purposes of currency: the supply, of course, being limited.

beyond their comprehension. Hence the facility with which frauds have been effected by debasing the currency: and other countries have probably suffered far more from the perversion of this right, than China has done from its Government abstaining altogether from assuming it. The poor would know nothing of the nature of the wrong done them; apparently, prices would rise without any reason; and, until taught by experience, they would impute their sufferings to the greed and extortion of the sellers of those things which they required. Debtors would find their obligations lightened: creditors—who as a class are wealthier and, as regards money matters at all events, more intelligent men—would, probably, know more of the way in which their interests would be affected; but still, knowing that they were to be despoiled by the unjust exactions of power, they might as well submit to be robbed in that as in any other more direct way: many, indeed, might countenance the common wrong as less injurious to them individually than a contribution, by the payment of taxes, to the necessities of the State. Regarding solely the material wealth of the country, it is true that what one lost another would gain, while the State as a recipient of taxes would ere long find its resources diminished. But the great evil would be the shock given to credit, not only morally, but by reason of the confusion and uncertainty introduced into all transactions.

The ultimate result, however, has invariably been the same. Wherever the currency has been tampered with, the operations of commerce have in reality been carried on by reference to the exchange-value of bullion, though infinite perplexity and inconvenience have been occasioned by the difference between the nominal and true value of the coins in circulation.

So deeply rooted, however, is the idea that coins derive their value in some way from authority or prescription, and not from the actual exchange-value of the commodity of

which they are made (or which they *directly* represent), that very erroneous opinions are commonly held, even in the present day, regarding the currency of the country. Our measure of value, as is known to all, is gold, which is coined free of all charge to those bringing it to the Mint, at the so-called fixed market-price of 3*l.* 17*s.* 10½*d.* per ounce of eleven-twelfths ($\frac{11}{12}$) pure metal and one-twelfth ($\frac{1}{12}$) of alloy—which latter is, we may add, accounted as of no value. Silver is coined and issued at a rate below its actual value: that is, the pound troy, of 222 dwts. fine and 18 parts alloy, is coined into 66 shillings, although the price of the pound of silver in the market, at the time this proportion was determined on, was only 3*l.* sterling, and does not now exceed about $3\frac{1}{10}$*l.* sterling. The value therefore of the shilling, and in like manner of all the fractional parts coined of a shilling, depends solely on the fact that a sovereign, or pound sterling of gold, will be given for 20 of them: they thus constitute a "token" currency, bearing value not as silver bullion, but as representing one-twentieth part of the pound sterling. They are a legal tender only to the extent of forty shillings. Copper coins are a "token" currency in a precisely similar manner. Shillings and pence, therefore, merely represent fractional parts of a pound, and the value of all depends on the pound.

And what is a pound? If the question were, what a pound was, or had been, there would, indeed, be much difficulty in definitely answering it; but as gold is now our standard of value, which is always coined at the rate of 3*l.* 17*s.* 10½*d.* per standard ounce, there can be but one reply—viz., a certain fractional part of an ounce of gold duly coined. It is only the idea of a fixed "market-price" of gold that bewilders the imagination of so many. How can the price of a commodity, paid in that commodity itself, really mean anything else than a certain definite proportional quantity of that commodity? Had the "market-price" of gold been fixed at 4*l.* per ounce,

it is hardly conceivable that the simple nature of the operation actually performed, could have been misunderstood. A man, let us say, takes an ounce of gold to the Mint: the authorities there cut it into four pieces, stamp it, and return it in the shape of four pounds or sovereigns, of one quarter of an ounce each. If the so-called price were 5*l.*, he would, in like manner, receive coined pieces weighing $\frac{1}{5}$th of an ounce; if 3*l.*, of $\frac{1}{3}$rd of an ounce, and so on. As it is, he receives for the ounce three pieces and a fraction, cumbrously represented by 17*s.* 10½*d.*, or $\frac{1}{20} + \frac{1}{240}$ of $\frac{1}{20} + \frac{1}{2}$ of $\frac{1}{1\frac{1}{2}}$ of $\frac{1}{20}$, or $3\frac{23}{480} = 3\frac{11}{160}$; or, for 160 ounces, 623 pounds sterling. The fraction is, indeed, a most unfortunate one, entirely carrying away the mind from the true and simple idea of weight; but this by no means alters the fact. Those who contend that the Mint should buy and coin gold at a variable market-price, really mean, although perhaps they do not know it, that the pound or sovereign should be issued of different weights, which, nevertheless, are to circulate at the same value.

Those also who maintain that the Bank or Mint "fixes" the price of gold, by buying all that is offered to it at a certain rate, surely insist upon a very strange mode of expressing a simple fact. It is true that the Bank of England is bound to "buy" all the gold offered to it at the rate of 77*s.* 9*d.* per ounce, but the operation simply amounts to this: for every ounce of uncoined gold, it is bound to give the same weight of coined gold, less only $\frac{1}{623}$ of an ounce, the equivalent of the difference between 77*s.* 9*d.* and 77*s.* 10½*d.*, viz., 1½*d.*;—the Bank receiving from the Mint coined for uncoined gold, weight for weight. Thus, for 160 ounces standard gold bullion taken to the Bank, 622 "pounds" are given, the Bank receiving from the Mint 623 sovereigns duly coined—160 ounces being exactly equal to 623 sovereigns, weight for weight. The Mint, which is the real principal in

the transaction, never buys an ounce of gold, but takes that which is brought to it, divides it into certain definite portions, fashions and stamps them so that the weight and purity of them may be made manifest, and returns the full amount received.

It is really most absurd to talk of fixing the value of gold in any way. It is subject to precisely the same laws as any other commodity; but, for the reasons we have endeavoured to explain, gold or silver are the best common measure of the comparative value of all other commodities, and it is of very great importance that this measure itself should be accurately measured. The true principles of value are now so well understood, despite some vagueness in expression, that any attempt, direct or indirect, to make the weight of the "pound" depend on fluctuations in the value of gold, would, we believe, merely lead to traders and others eventually expressing their pecuniary obligations in ounces, instead of "pounds" sterling.

Sir A. Alison quotes the fact, that gold in Australia was for some time at 3*l.*, and subsequently at 3*l.* 10*s.* an ounce, as a proof that the real value of the pound cannot be 3*l.* 17*s.* 10½*d.*; but it is strange that theory and prescription should cause this very laborious historian to lose sight, apparently so completely, of the actual nature of the transaction. To take the smallest figures by which fractions can be avoided: with 480 sovereigns, if gold were at 3*l.* per oz., or 560 if at 3*l.* 10*s.* per oz., 160 ounces were bought in Australia, brought home, taken to the Mint, where 623 sovereigns were given for it. This is all that was actually done; and how does it or can it or ought it to affect the fact, that the British pound sterling is $\frac{160}{623}$, and not any greater or less fraction of an ounce troy?

Nor is it difficult to show the exceptional nature of the circumstances which led to such an apparently anomalous discrepancy. In the first instance, very few men knew what was the real *purity* of the gold found—the risk in dealing in

dust and nuggets was considerable; and the lowest price quoted indicates, among other things, the uncertainty that existed for a while, as to what weight of standard metal was actually contained in the ounce offered for sale.* But although this evil was quickly remedied, as a sufficient number of assayers were found to test the crude metal with comparative accuracy, the price for some time remained at about 3*l.* 10*s.* per oz.—showing a difference of about 10 per cent.; while the actual cost and risk of transmission were not more than about three or four per cent. There was a profit, therefore, of six or seven per cent. to be made by exchanging uncoined bullion, for the coins of the British Mint required to facilitate the daily interchange of commodities in these colonies. That such a premium should be given for coins as long as, owing to their scarcity, they could not be obtained on more favourable terms, is not to be wondered at. Most men in England would rather take 18*s.* for a sovereign than incur the risk and trouble of dealing with bits of bullion; and the only question is, why competition did not at once reduce, in favour of the community, a profit apparently so excessive. If we look only to the actual transactions required to satisfy, at the time, the general wants of the colonists, the explanation is easy. The production of gold suddenly became the great business of these colonies, and this was the commodity they had to offer in exchange for all they required. It may well be supposed that there were very many things more urgently needed to satisfy the popular demand than a supply of coin. Everything was, for a time, at a monopoly price. Those who kept their capital made enormous profits; those who sent money,

* The gold first found in the Californian "diggings" was of inferior quality to that obtained by similar means in Australia; the former containing on the average, we believe, only about 84 hundredths parts pure—the latter about 94. It is at least a curious coincidence, that the *old* Spanish doubloons were coined with a similar quantity of alloy to that found in Californian gold.

to England or elsewhere, for the purchase of commodities, expected to do the same. No one would care to send home bullion to be exchanged for British coin, which alone was well enough known to be acceptable as a currency, without a commensurate advantage. Nor would traders in England be tempted to send out coin, to be exchanged for bullion; for though the rates quoted showed that such exchanges had been effected on very favourable conditions, they had no assurance that any similar terms could be again obtained.

But it may be urged that experience is diametrically opposed to this theory, and that the history of our currency during the last century, proves that coins were retained in circulation or sent out of the country, according as a high or low mint-price was given for bullion. Let us examine facts, however, to show the causes which really led to these effects. As we have just shown, the mint-price, in pounds and fractions of a pound for the ounce of gold, can only indicate the relative weight of the two denominations. It must be precisely the same with silver as long as silver was paid for in silver. The mere fact that the Mint impressed its stamp on smaller or larger pieces of metal, could not by any possibility lead to the coins so made being retained at home or sent abroad, as the case might be. But it was a very different matter when the mint-price for silver was paid in gold, or the reverse, and the Government of the day attempted to fix the relative value of both by the mere dictum of authority. The market-price of both or either would fluctuate in the market, according to natural laws, and the metal which was rated too high would be paid in; while the Government, by their own act, would be compelled to pay out that which they had rated below its real value. Thus if, as in 1717, gold and silver were coined and issued in the proportion of one part of the former to fifteen parts of the latter, while the market-price was as 1 to $14\frac{1}{2}$, any one taking, say, 100

ounces of gold, might claim from the Mint 1500 oz. silver, 1450 of which would be worth, in the market, the 100 oz. of gold paid in, leaving 50 oz. as a profit. This, of course, could be done wholly irrespective of the denominations given to the coins; but as the silver, as *coin*, could not legally be exchanged, at its actual value, for gold, it was of course divested of that character by being melted down, and was then sold as bullion. If the market-price of silver had fallen in proportion to that of gold, so that sixteen parts of the former were equal to one of the latter, a reverse operation of precisely similar a nature could have been effected, and gold coin would have been turned into bullion, and disappeared from circulation.

Again: in the latter part of the century, the gold coins current were so much worn, that 4*l.* of them were required to make up the weight of an ounce, while, nevertheless, the Bank was compelled to issue new coins at 3*l.* 17*s.* 10½*d.*; in other words, they had to receive 120 grains troy, and pay out for them rather more than 123¼; and it is needless to explain how on these conditions an operation could be worked to the benefit of individuals, at the expense of the Bank, as long as light coins could be bought at their proportionate value as bullion. The simple fact was that the standard of the currency had, through long neglect, become depreciated in weight: and though the Bank, by rigidly limiting its issues, might perhaps have made coin so scarce, that all would alike have borne so high a premium that no advantage could have been gained by melting even those of full weight into bullion, still it would, we apprehend, have been impossible to prevent such coins from being quickly reduced to the weight of the old ones, by "clipping" or "sweating," or such-like processes. The integrity of the standard can only be preserved by keeping up the full legal weight of the "pound:" whether the loss from inevitable wear-and-tear is to be borne by

individuals or by the State is a minor question, to be considered on its own merits.

In 1816, the illogical idea of keeping up a double standard of value was altogether abandoned.

It is essential that a standard once fixed should be exactly maintained. To enhance, or even restore, one which has been practically abandoned, is as injurious to all who have contracted debts on a lower, which they are compelled to pay on a higher, scale, as its debasement is unjust to those who have lent on a higher, and are obliged to take payment on a lower. Neither of the contracting parties can predict what will hereafter be the "purchasing power" of, say, their "pound;" but it is as direct and mischievous a wrong to alter the number of grains troy of gold in the "pound" sterling, as it would be to change the number of ounces in a pound avoirdupois, or of inches in a yard, on the ground that the price of the commodities measured by these standards had advanced or declined, or was liable to fluctuate.

A great part of the evils and inconveniences which may arise from the probable fall in the value of gold may be averted, if the real nature of its functions as a "common measure" are rightly and familiarly understood. A very old idea still perplexes the minds of some. Gold and silver, except in so far as they may be "consumed," appear to serve only for effecting the interchange of other commodities, and it is not clearly seen how they derive their own value. Their value "in use" is, in a great measure, owing to the very fact that they are pre-eminently adapted to this very purpose. No proof need be adduced of their utility in this respect. But their value "in exchange" is measured by, and is derived from, the quantity of labour necessarily expended for their production. Of this we may rest fully assured—the "exchange" value of commodities, gold among the rest—does not in any way depend on the nature of the uses to which they are applied.

It may seem needless to devote any argument to prove the utility of a true and just system of coinage, by which *quantities* of this "common measure" are made known and recognisable to all. The same currency serves for all. Those who take property and commodities in exchange for money, are said to buy, and those who take money in exchange for such other things, to sell; but no one wants to hold and retain the actual money in hand, but to command "money's worth;" and we have seen how the wants of all are supplied by mutual interchange. A, let us say, sells 1,000*l.* worth of corn; he receives money from millers, who receive it from bakers, who receive it from consumers; but A must have paid factors, who have paid farmers, who have paid wages to consumers. Or A may have bought from and paid a foreign merchant, who may pay B for a bill of exchange. B buys cloth and pays an agent, who pays the manufacturer, who pays wages, and so on in infinite variety;—the end and object of all these divisions of labour being, to do the general work of collection, production, and distribution required for the general interests of the entire community (including, of course, the workers themselves) with as little waste as possible. The growers of corn and consumers of cloth on the banks of the Danube are connected with consumers of corn and producers of cloth in England. We are connected by such common ties with all the nations of the world, and must necessarily have some common measure of value; and it is of the greatest importance to our own organization of labour, that this "standard" should be justly preserved for all, and available to all, in a form which they can practically apply, each to their own purposes, although they may know nothing of the intricacies of "exchange," or the complex workings of our vast industrial system.

The one thing common to all is "money." Every man knows that he is responsible for the profit or loss on the labour he employs, either directly, or by the purchase of

commodities in their different stages of preparation for the consumer. Every man knows also more generally, but not the less efficiently, something of the concerns of those more immediately connected with himself, to whom in any form he gives "credit." But no man can, by any possibility, know anything of the innumerable interests with which he is more remotely associated, even although his success and welfare may be dependent on them.

Coinage does not extend the knowledge of gold and silver over a wider area, but it diffuses this knowledge, and makes it practically available to the many; who are especially benefited, not only by being preserved from a class of frauds to which they would otherwise be very much exposed, but from every division of labour, necessary for the distribution of commodities to consumers, being carried out with more certainty, and consequently at a less expense. It is one of the most important duties which a Government owes to the poor, to provide an adequate supply of the coins suited to their wants, and on the integrity of which they can confidently rely. Hence the necessity of having a currency not dependent on commodities the value of which can only be estimated by the few, but based directly on that one best known to all. When a man receives money, he should obtain, as far as possible, an absolute and unconditional power of purchasing, dependent only on the intrinsic value of the money itself, in order that the division of labour between seller and buyer may be complete, and neither the one nor the other needlessly exposed to risks totally beyond their knowledge or control.

On this principle, our national currency is now securely based. It is, indeed, open to objection, on the score of excessive precaution; for with the view of securing, under all possible contingencies, the identity of the value of the "pound" or sovereign with the equal weight of standard gold, the entire expense of coinage is borne by the State. This is considered

by some able writers to be needless, and we entirely agree with them. As value depends on the quantity of labour required for production, there surely is no reason why the last portion of labour required to make bullion into coin should not be held rateably to impart additional value, unless it be assumed that the operation is of no utility, which it is needless to prove is totally at variance with the fact.

But this brings us to another important principle, usually considered specially in relation to "paper-money," but which applies equally to currency of all kinds. Only a certain amount of money, speaking of money strictly as a circulating medium of exchange, is required for the wants of a community. How much this amount may be, can be decided only empirically; but, compared with the value of commodities daily bought and sold, it is almost incredibly small, where the organization of banking is as complete as it is in this country. Thus, the London bankers and banks have a common place of meeting, called the Clearing House, where the daily transactions passing through their hands, amounting to very many millions, are adjusted,* without the use of either notes or gold at all, simply by transfers in accounts, which are kept by all in the Bank of England. How far this aggregate represents mere transfers from one hand to another, how far the transfer of various commodities from one stage of manufacture to another, and how far the ultimate interchange of such commodities ready and intended for immediate consumption, it is impossible to distinguish. The fact is clearly shown, that both the home and foreign trade of the country consists of the mutual interchange of all things required to satisfy the wants of the community. Yet still the national balances are adjusted, as required, by the import or export of bullion, and the

* Forty to fifty millions daily, including *both* sides of the account, is not considered an excessive estimate by those conversant with banking in London.

"purchasing power" of the "pound" depends on its relation to the measure of value common to the world. The smaller transactions only which each man has to arrange for his daily requirements are actually carried on by the use of tangible "money;" but it is essential to the just and even action of this wondrously complex machinery—working, without the design or control of authority, in obedience to the natural laws of demand and supply—that this same common measure should be preserved throughout with the strictest integrity, and that the money used for the ultimate sale and purchase of commodities thus required for consumption, and for the support of that labour on which all value (in exchange) depends, should be equally maintained in the same relative proportion to that bullion necessarily employed to regulate the larger operations of commerce.

Still, the total amount required for the daily use of the country is very large; for, as we all know, almost every one has some "money," either in coin or notes, constantly in hand, and it is very inconvenient if the supply of money, in this sense even, is insufficient. On the other hand, no one will keep more "money" about him than he requires; it is simply a nuisance and an encumbrance. If he receive more than he wants for immediate use, he will pay it into a banker's hands, if he can, to get rid of the risk and trouble of keeping it, and thus again put it in circulation. A redundant issue therefore, whether of notes or of coin, or of both coin and notes together, cannot be employed. An *excessive* creation of notes or coins is utterly useless, and the labour bestowed on it is wasted. If coin be thus made in excess, the value of all coin, as such, is depreciated. A portion will return to the issuers, in spite of all their endeavours to keep it out, and they will be compelled to sell it as bullion; it can be utilized in no other way. The cost misapplied to coining is entirely lost, and the quantity

of coin in circulation may, no doubt, be increased to make up for depreciation to this extent. The decline in the value of the coins themselves is arrested by the intrinsic worth they possess as bullion, but no such check exists in the case of inconvertible paper; and as, practically speaking, there is no limit to the *quantity* that may be issued, while there is an impassable limit as to the *value* that can be kept afloat, the depreciation will consequently be in the exact ratio of the excess of the issue.

The only way in which the expenses of coining gold could be charged to those bringing it to the Mint would be by issuing coin of somewhat less weight than the bullion received. Thus, taking the so-called price of 3*l.* 17*s.* 10½*d.*, or $\frac{1}{4\,2\,3}$ of an ounce troy, as the standard, the sovereign might be $\frac{1}{4\,2\,3}$ or $\frac{1}{4\,2\,6}$, or any less fraction—the difference retained being appropriated to cover the cost expended for this useful purpose. No one would have any object in incurring this charge unless coin were required; and the sovereign and $\frac{1}{4\,2\,3}$ of an ounce of standard gold would thus still be equivalents, according to the natural laws which govern value.

The fallacies connected with paper-money will shortly claim our attention; but although the currency of this country ostensibly consists of bank-notes, gold, silver, and copper, they now all, under our present sound and truthful system, alike bear value only as directly and immediately representing gold. The question is often asked, What gives the value to this paper bank-note? The reply is simple: It represents so much coined bullion. If the tenor of the bank-note, instead of being, "I promise to pay on demand to bearer 10*l.*" were to run thus: "Received $2\frac{3}{8}\frac{5}{2}\frac{4}{3}$ oz. ($\frac{1}{4\,2\,3} \times 10$) "standard gold coin, to be kept in the vaults of the Bank "until claimed by the holder of this receipt," the system would work precisely as it does at present. Or receipts could be given for coined, in exchange for uncoined, gold in

the proportion of 622 to 623; that is, in that of the fraction expressed by 77/9 and 77/10½ respectively, which is in effect now done by the Bank whenever it buys bullion. It would be absurd to attempt to keep the identical sovereigns received specially for the holder of each note or receipt, as all are precisely of the same value; but the principle is rigidly maintained.

Sir A. Alison, to whom we refer as a writer of authority on the other side of the question, writes:—"The great danger "of considering paper as the *representative* of gold and silver, "not, when required, a substitute for them, consists in this, "that it tends necessarily to *multiply or diminish them both* "*at the same time*, a state of things, of all others, the most "calamitous." Such misapprehension of a simple fact is positively astounding. A man sends a brace of grouse by railway, and a receipt for it by letter: the receipt is presented, and the birds delivered. Certainly both game and "paper" are alike withdrawn from circulation; but the calamity, we rather apprehend, would be in the attempt to make the latter a substitute for the former. Or, to take an even closer parallel. A merchant receives 100 casks of sugar, places them in the Docks, and receives receipts, commonly called "warrants," for them. These he can pledge if he will, or transfer by sale; and they may so pass from hand to hand till the sugar is wanted for export or consumption. The warrants are then presented at the Docks, cancelled, and withdrawn from circulation, and the commodity they represent withdrawn from stock. If there be too much sugar in stock, there will be too many warrants in the hands of merchants; if too little, warrants will undoubtedly be scarce. The supply both of warrants and sugar will necessarily be increased or diminished both at the same time; but if the former be used in any way as a substitute, instead of the representative of the latter, nothing less than an obvious fraud is committed.

It is precisely the same case with gold in the Bank. If there be more in the country than is wanted for "consumption," or circulation, or for the ordinary reserve which prudence requires should be held, there is, no doubt, a redundance, not strictly speaking of circulation, but of capital seeking employement, which it too often finds in giving encouragement to wild and ill-considered projects. The aggregate expenditure of the country may be thus increased faster than its production. We get more imports than we can pay for in commodities, gold is sent out to make up the deficiency, it may be to such an extent that our circulation really is reduced; but if we are to retain a metallic standard at all, surely nothing can be more false and mischievous than to issue paper, for which gold can be demanded in exchange, as a "substitute" for the metal which is leaving the country, and going beyond our control altogether.

The more logical argument is, that we do not require any metallic standard, having real value, at all—that all that is necessary is a certain unit of value by which the comparative prices of all commodities can be generally expressed, and that gold will find its level along with the rest. This it will certainly do; but let us examine how this specious system will stand the test of an actual trial, when the general balance of trade has been disturbed. There is, we will suppose, a demand for gold to send abroad; the price of it rises, say, by 10 per cent., and all other commodities remain as before, according to the indications given by this nominal "pound." This is very convenient, no doubt, for those who have obligations to pay in such "pounds;" and exporters, who were unable to get a return for their goods to cover cost, will now be enabled to do so in gold which commands this premium of 10 per cent. So far well: but what is gained in exchange by exporters must be lost by importers, who must get a corresponding advance in the price paid in these "pounds" for

the commodities they bring into the country. We have, therefore, all goods for export of the same nominal value as before, but all imported are at a nominal advance of 10 per cent.

But it may be again argued that this adverse exchange would impose a check on imports, while the supply of bullion drawn into the country would reduce the premium on it, and the balance of trade would be thus satisfactorily restored. But, by the supposition, gold and silver have been extruded from the circulation, and that received can be regarded merely as a commodity; and, moreover, any decline in the price of bullion must immediately check exports, which could only be resumed by forcing down the nominal price of all articles exported to a corresponding extent; and this cause—that is, the rise and fall of bullion, as measured by the paper "pound"—be it remembered, would affect *all* trade—not that trade only in particular, to adjust which the demand for bullion at first arose. The ostensible evil would be violent fluctuations in the rate of exchange, which, as we have before seen, will always be regulated, if possible, by bullion: because the precious metals are, in point of fact and apart from any theories about currency, the best common measure of value. But a new element of risk and uncertainty, and consequently of cost, is introduced. When a fixed weight of gold (or silver) constitutes the "pound" (or other denomination), a very small difference, beyond the necessary costs of transit, between the amount *paid for*, and that *made payable by*, bills of exchange, will cause the actual transmission of bullion required to check an excessive advance or decline in the rates agreed upon between buyers and sellers of bills; but if the amount of gold that can be obtained for a nominal "pound" be uncertain, a larger margin will be added to cover the risks of the market. The enhanced risk will be the subject of some enhanced profit to bullion-dealers; but,

unless we suppose the value of bullion to be destroyed or forgotten altogether, it will, for the reasons already fully explained, still be the best common measure of value.

Now, if the amount of even a paper currency were rigidly limited, and made by authority the only legal tender, there is no doubt that the standard might possibly be maintained, but only by prices being forced or kept down by a pressure at least as strong as that which would arise if a gold or silver standard were maintained. But the great and avowed object of all who advocate an inconvertible paper currency, is to avoid the evils arising, according to their theory, from an insufficient circulation; and an increased issue would certainly be resorted to, in order to meet the apparently augmented requirements of trade. Thus, if notes were issued to support the price of goods intended for export, in the face of an adverse exchange, and we suppose that object to be attained, we should have the following results: Measured by the standard common to the world, there would be a lower value of exports to set against a higher value of imports, the aggregate being the same. Measured by the paper pound, the value of exports is the same—the value of imports augmented—the aggregate being, of course, greater. In other words, the paper currency is depreciated, and the true adjustment of value necessary to avert general bankruptcy as far off as ever. The great fact which the advocates of a paper currency ignore is, the inexorable necessity of paying for value received by giving value in return. There is no doubt that the incidence of the pressure occasioned by a general derangement of the balance of trade falls hardly and, so to speak, undeservedly on individuals; but this is unavoidable. We cannot expect to have the benefits of mutual co-operation under any system, however well designed, without incurring some of the disadvantages of mutual dependence.

There is yet another consideration. If we suppose that

bullion—we say "bullion," because, even without going beyond the limits of our own empire, silver is the basis of the currency in India, and the same laws apply to both of the precious metals—is not wanted as "money," there is very little use for it in a country, and only the comparatively small quantity required for "consumption" is likely to be retained in it; and upon this, it may be added, a very considerable value of labour is usually expended. Thus, highly-paid artificers are employed in making plate, and a great loss would be generally incurred by individuals if they were to convert their plate into bullion: it is an expedient only resorted to in cases of great exigency, and it is vain to expect that such articles would be available for the purposes of commerce under any ordinary circumstances. Some reserve might, indeed, be held by bullion-dealers; but it would be at their own risk and cost, and for their own advantage. Now, what would be the effect if the nation were called upon to make good a generally adverse balance, and had not a supply of bullion sufficient for the purpose? It is idle to say that, if commerce were well and prudently carried on, such embarrassments would not happen. They do occur: and if they arise under the present "stringent" system, they are not likely to be averted under one avowedly more accommodating: indeed, it is not the evil, but the severity of the remedy for the evil, that is the subject of complaint. We trust England may never see the day when she will attempt to preserve the wealth of any section of her community at the expense of her "credit" and good faith. As all traders know from practical experience, debts must be paid, at whatever cost and sacrifice.

An adverse balance does not arise from the incapacity of the nation to *consume* imports: there is no difficulty on that score, nor, with the enormous productive capacity of a country like our own, from our inability to offer goods in exchange for

them. The derangement—which might, perhaps, ultimately be referred to defective distribution—arises from the fact that foreigners are unable to take the quantity of goods we supply at prices which will return their cost to the makers or producers of them. The necessities of the case require that the amount both of imports and exports should be reduced; but, meantime, we are answerable for debts incurred. As long as these can be paid out of our surplus stock of bullion—coined or uncoined—no inconvenience arises; and it is only when the apprehension is excited that the amount required for currency may be curtailed, that any severity of pressure is experienced. But whether is it better that sales of other commodities should be "forced," or the circulation restricted? It is quite a mistake to suppose that such forced sales would affect those only whose injudicious trading might be supposed to have led to the evil. Prices are not governed by the "ratio" of demand and supply, but *immediately* by the necessities of buyers and sellers. There is no limit to the possible decline of prices under the pressure of supply greatly in excess of the "effective" demand, especially of such things as are either perishable, or can be preserved only by a heavy additional expenditure. Those who had to find means of paying debts owing abroad would be compelled to transmit value in any way they could, either directly or indirectly; and the ordinary operations of other traders would be unavoidably interfered with, by transactions undertaken under the impulse of so imperious a necessity. Such ruinous sacrifices would, moreover, inevitably lead to bankruptcies; the holders of the bills of bankrupt houses might be reduced to the same condition; and these again would involve others, so that interests apparently the most remote might be seriously compromised.

The pressure caused by a restricted circulation will still fall most heavily and directly on those whose operations have

been unwisely extended. Their indiscretion, it is true, may have been rather *general* than special; but members of a highly-organized community have no right to be blind to the general interests of those with whom they are associated. And, moreover, the depression of prices, *as far as it arises from this cause alone*, can only be in the ratio of the amount withdrawn to the total aggregate of the currency.

Practically speaking, however, such general "over-trading" as leads to results which render a restriction of this kind inevitable, is marked by distinctive features, to which we shall proceed shortly to advert; but have yet to notice, which we shall do as concisely as possible, the means taken by the State to insure the "convertibility" of bank-notes: in other words, that obligations in this form, purporting and intended to convey the most absolute, immediate, and unconditional "purchasing power," shall be directly represented by gold which in reality possesses this property in the highest attainable degree.

The Bank of England does not, it it true, retain in her coffers bullion for the whole amount of its notes in circulation. The Act of 1844 authorizes the issue of about 14,500,000*l.* on securities, of which the chief item is 11,015,100*l.*, which has been lent to the public at various times, and which bears interest at the rate of 3 per cent. per annum. The former amount is nearly equal to the entire capital of the Bank of England; but this coincidence has nothing whatever to do with the principle on which this issue of notes, on other security than that of gold, is authorized; but it is estimated that, not only under all ordinary circumstances, but under all conditions which can be supposed within the limits of probability, a considerably larger amount than this 14,500,000*l.* will be retained in the hands of the public at large, being actually necessary to enable them to carry on their daily transactions. This belief does not,

indeed, rest on any scientific data, but is the result of the most ample experience. If the bank-note were in the form of a receipt for gold deposited and held at the call of the depositor, the same latitude might be allowed, with perfect reason and safety.

On a similar principle, but on less conclusive evidence, the same Act permitted private and joint-stock banks to *continue* the issue of notes payable on demand to the extent, in all, of about 7,500,000*l.* in England and Wales, a little over 3,000,000*l.* in Scotland, and rather more than 6,000,000*l.* in Ireland, against "securities," as they had previously been in the habit of doing—the authorized amount being fixed in every case, and no increase allowed in any instance, except against the deposit of bullion. In the case of the failure of any country bank issuing notes, the Bank of England is empowered, but not required, to issue notes against securities to the extent of two-thirds of the country notes thus withdrawn. The operation of this Act has been, that without the slightest inconvenience from any violent change in the customary modes of carrying on business, the circulation of country notes in England has been reduced by about 1,250,000*l.*—in Ireland by about 2,000,000*l.*; and nearly 2,000,000*l.* of bullion are held against the issue of about 5,000,000*l.* only. The amount of Scotch notes has increased by about 1,500,000*l.*, but 2,250,000*l.* of bullion are held against them.

Neither the same security is given for, nor the same "credit" given to, country notes universally as to those of the Bank of England, nor are they a "legal tender." No one is bound to take, though practically it may be very inconvenient to refuse, them; but even in the case of the failure of a country bank, the inconvenience, as far as the currency is concerned, would be but local and temporary. The community would have the notes of the Bank of England to fall

back upon: and more notes based on and representing gold being required, more bullion would be retained in the Bank's coffers, and a more absolute state of security attained. The holders of the notes of bankrupt establishments would, of course, be subject to the loss of the *capital* they had given in exchange for notes which had become entirely or partially worthless; but this would be the extent of the inconvenience which the community, regarded only as note-holders, would suffer.

The Act of 1844 also divided the Bank of England into two departments:—that of "issue," which is absolutely governed by the laws to which we have generally alluded; that of "banking," which is free to use the notes thus issued, to pay them away on securities, to receive and employ capital deposited with it, and to conduct its business, generally, according to the discretion of the directors entrusted with its management.

The advocates of paper currency object to this: Why should paper representing gold only be permitted to circulate? Both the home and foreign trade of the country consists in the interchange of property and commodities generally, of which bullion forms only a very small part. Why should these also not be represented? The reply is, They can be and, generally speaking, are represented in every possible way that the convenience of the public requires. Property is represented by title-deeds:—an obligation payable in gold, secured on the value of the property by a mortgage. Such instruments do not circulate, and are not transferable, with the same ease as a bank-note, for the all-sufficient reason, that the property which they represent is not transferable with the same facility and certainty as bullion. Railway shares represent the amount of capital expended on the construction of certain works designed for public utility. If the capital expended by a railway company be represented by 10,000 shares, each one represents one ten-

thousandth part of the capital laid out—spent and consumed long ago, for the most part, in buying land, rail-iron, machinery, buildings, and paying for all the skilled and unskilled labour employed on such a construction. The holder of a share can sell his interest in the undertaking for what it is considered to be worth by others.

Let us roughly analyse a railway, and describe generally what it really is. We shall speak of "the directors" as acting for, say, 10,000 shareholders, including themselves. They transfer not money, but capital represented by money, to owners of the soil, taking land used for tillage, pasture, or otherwise, on the presumption that they can devote it to a still more useful purpose. So far, we have nothing more than a mere transfer of value from "the directors" to landlords. The lawyers and others employed in carrying out these transfers must be presumed to have been usefully engaged; the presumption may be considered somewhat violent, but, as things go, the work could not have been done without them. Their labour, and all other labour employed, is paid out of the directors' capital, drawn, of course, from the shareholders. Wages are also paid, indirectly, through iron-masters, makers of rails, builders, machine-makers, and others; more directly to "navvies," working under engineers and contractors:—those responsible for the direction, in detail, of the labour for which wages are paid, earning their salaries or profit.

Now, as regards the ability of the nation to afford expenditure of this kind, there is this point to be borne in mind: all these men have a right, at the least, to food and clothing enough to support life. The increase in the national consumption is the difference only between that actually expended by those who receive their remuneration, under whatever name, from "the directors," and that which they would have expended had no such work been undertaken. Thus, a

navvy will consume, in bread, meat, beer, clothes, tools, &c. very much more than a pauper, and will, on the other hand, perform work in even far greater proportion. But if "the directors" have expended all this capital in supporting labour engaged in making a line which the community do not require, which will not even pay its "working expenses," the whole amount is wasted and entirely unproductive. A share represents one ten-thousandth part of a long strip of waste land, second-hand bricks and timber in useless buildings, and iron machinery, for the most part hardly worth the cost of removal. The directors may also have borrowed capital; and if so, even this miserable wreck would belong to the creditors. On the other hand, the original plan may have been wisely designed and well carried out, so that the completed work is not only a benefit to the nation, but a source of revenue to those whose capital has been expended upon it. Between total failure and entire success there may be every degree of difference. Those who buy railway shares must exercise their own judgment regarding the real value of such property. A similar line of argument may be applied to stocks and shares of all kinds. By all means let their value be represented, but not vaguely and obscurely: on the contrary, as clearly and distinctly as possible, so that they may circulate only among those who really wish to be interested in possessions of this nature.

So also with commodities. A merchant may have tea or sugar or corn, all very good of their kind, and well adapted to satisfy the wants of consumers: they are fittingly represented, by "bills of lading" when on board ship, by "warrants" when in the warehouse. They may also, for still further convenience, be represented still more generally by bills of exchange. And all these instruments circulate with perfect freedom and ease among those who have an adequate knowledge of the conditions of the markets for such articles, or, to

go a step further, of the competence and trustworthiness of those who directly deal in them. The amount of "pounds" stated in bills, or any other instruments representing commodities, held on such different conditions as we have before described, is never understood to mean that bullion is held specially applicable to their discharge, but that the commodities themselves can, within a given time, be exchanged for the money due to the holder of such obligations. But if tea or sugar or corn or any other article, however useful in itself, be in the wrong place or in excessive supply, it loses this value. It is not immediately exchangeable. Consumers will not give money for it, and those who have capital, knowing this, hesitate to make advances on it, or there may not be enough capital available for the purpose.

Therefore, say in effect those who hold lax views about currency, because these securities, based on the exchangeability of commodities, will not pass current among those who may be presumed to know most about them, disguise and suppress the fact altogether: because commodities have partially lost their "purchasing power," issue notes upon the security of them, purporting to have that pre-eminently universal purchasing power which is possessed by bullion; and, as they would have us believe, all will certainly come right in the end. To recognise and meet difficulties is, according to these sanguine theorists, a mistake altogether: ignore them in the most marked manner possible, and they must disappear eventually of themselves. This is about as true as to assert that a general has only to draw upon his imagination with sufficient consistency and pertinacity to secure the ultimate success of a campaign. We refer, of course, only to the favourite expedient of issuing notes specially to supply, not in truth the want of circulation, but the place of capital: to obtain, in fact, capital on "credit," not by improving in any way the nature of the

security, but by altering the form of the document representing it. We speak of that which is best adapted for universal circulation, and which may with the utmost safety be taken and passed currently under all circumstances, as *the* currency or *the* circulation, without in any way implying that other representatives of value do not or ought not to circulate currently in their proper spheres.

It may be freely admitted that much good has been done at times, especially in Scotland, by capital raised on notes issued on securities, of a nature by no means readily convertible; but if we look underneath the form to the actual nature of the transactions effected, it will, we think, be evident, not only that the system under which these advantages were undoubtedly attained is far too liable to abuse to be generally adopted with safety, but also that it is wholly unfitted to meet the occasional, but not the less imperative, demands of foreign commerce.

Let us take the case of a bank issuing notes on its credit, and trace the course of the operation, following generally the course adopted by the Scottish banks, to which we have just alluded. A man with small means, but known to be thrifty, trustworthy, and intelligent (engaged let us suppose in the herring trade), desired a loan to enable him to extend his business. He would obtain a "cash credit" on the joint bond of himself and two sureties, probably in a very similar position to himself; but the fact that the bank, for its own safety, would require the guarantee of these two sureties, does not affect the real nature of the transaction, which we desire to discuss solely on its own merits. The tangible security in "real property" obtained by the bank would be upon his buildings, boats, and stock-in-trade. In payment of this credit, its own notes would be issued, which the borrower would take, from time to time, to pay away again for his necessary disbursements, for wages, and all other purposes. The receivers

would again pay them to shopkeepers from whom they bought their provisions, and others; and so they would pass on from hand to hand, provided always that the total issue was not in excess of the amount required by the community to be used as money—that is, to represent the aggregate of small balances of cash which men keep ready in hand to carry on their business from day to day. Any attempt to issue more than was wanted for this purpose would inevitably be frustrated by the receivers of notes returning the excess to the bank for payment; but all that were required for such "circulation" could be kept out permanently.

The capital, therefore, really expended would be that borrowed, on the "credit" of the bank, from the numerous holders of its notes in small and ever-varying sums. Thus, the baker who had sold bread and taken payment for it in a "pound" note would, as long as he held it, be supplying capital to the bank. He could claim it, if he pleased, but will retain it to pay to the miller, for actual value received in meal, in the course of a few days. Now if, for the sake of more clearly exemplifying the principle, we regard this transaction alone, putting aside for the moment all consideration of the capital both of the bank and of the sureties, it will be seen that the real lenders are the shopkeepers, farmers, fishermen, and others, who hold notes, for which they have given commodities or labour; and the only security for their payment is the buildings, boats, and stock-in-trade of the first borrower, pledged to the bank. If these notes had to be paid, the only means of obtaining money for the purpose would be from this property, which, if brought to a forced sale, would most probably realize only a small portion of its actual value.

The bank, in fact, did not give real value in exchange for the security it received, but only the means of borrowing capital from others. But where notes directly represent

bullion, an exchange of actual value takes place, at the first, as well as at every subsequent, transfer. Men may buy and sell, ruin or enrich themselves, as well by means of the one note as of the other. A sound currency merely is not, and cannot possibly be, any security for sound trading: *that* depends on whether the labour or commodities paid for are productively or unproductively employed. The difference, and it is a most important one, consists in this: in the latter case, the note has a value of its own, independent of the security against which it has been issued. Even if the bank have advanced on worthless property, the note-holder would be perfectly free, not only from loss, but from inconvenience.

In the former case also, it is, no doubt, very *probable* that the capital of the bank would be adequate to make good a deficiency arising on any individual transaction; and among a small community of shrewd and thrifty men, all exercising the most efficient check on each other, by withholding "credit" from any one whose expenditure was extravagant, or whose trading was reckless, such a system might be carried on with little danger, and with a great economy of resources, especially if there were no likelihood, under any circumstances, that gold would be required for the payment of debts abroad. But in large communities, where interests are more completely divided, and the requirements of trade, at home and abroad, are more complex and more extensive, it is, to say the least, highly desirable to provide means for securing the currency from any risks, however apparently remote and indirect, that may arise from the want of sound discretion on the part of those who issue notes. In the first place, it is right that the poor should be protected: and, moreover, no man, whether rich or poor, should be compelled to incur any risk, for the benefit of others, without his knowledge or consent. But, practically speaking, if the notes of a bank form a part of the currency necessary for carrying on

the daily business of a community, no individual can refuse to take them without being subject to constant loss and inconvenience.

The State, therefore, rightly interposes to give the best possible security to a currency which must circulate indiscriminately among all classes of society. Whatever may happen to traders, or miners, or farmers—however particular interests may suffer, and be thrown into the direst confusion for a while—there is still a common measure of value preserved, to which all refer, and on which all can base their calculations for the future. Those who are willing to do so can still entrust their surplus funds to bankers, on a system against which no objections can be urged; the *deposits* thus made are a most useful and important addition to the working capital of the country. There remains the risk of loss by mismanagement, but, at the worst, special interests only, not the general interests of the community, are affected.

Our design is not to enter into any discussion of the details of the Act of 1844, to which we have referred, but to treat only of this one broad principle maintained by it. Some complain of its stringency, others that it has failed in preventing commercial disasters, and that a strict adherence to its principles has been found impossible in times of pressure: to this class of objections we must generally advert.

Whatever confusion of ideas may at one time have prevailed on the subject, a design could hardly be entertained, in the present day, so chimerical and impracticable as that of restraining men, by legislative enactment, from laying out their capital in any way they choose, or putting any value they think fit on the results attained by, or anticipated from, their expenditure, or representing their possessions in any manner most convenient to themselves. One special form of the paper representatives of value only is reserved, which may not be simulated. It is declared, by the authority of the

State, to imply certain peculiar and well-defined obligations. Any one who can fulfil the conditions required may, without cost or charge to himself, have the use of the form. No restriction whatever is, or can be, placed on the *use* of the currency: its amount is governed by the natural working of the law of demand and supply.

The real operation that was carried out, with so much difficulty that it caused the panics in the commercial world in 1847 and 1857, may be fairly described as the adjustment of differences, on an unusually large scale, in the capital accounts of debtors and creditors—of borrowers and of lenders. Thus, on the former occasion, we had had the railway mania. The nominal amount of shares represented the capital spent: the market-price, even before men's judgments were disturbed by the "panic," indicated the extent to which that expenditure was considered "productive." The previous railway panic, in 1845, merely arose from men, after a period of wild excitement, reverting in some measure to the rules of simple arithmetic, to estimate the extent of the liabilities which they had undertaken. No one supposed that the currency had anything to do with the question. Then there was the famine, especially in Ireland; the earth did not yield forth her usual increase. The capital men spent upon it was only partially reproduced. Again: supplies were drawn from all parts of the world at great cost. The more abundant harvests of 1846 supplied the ordinary wants of the country. The actual immediate value of corn, and the price of it, fell together. Consumers got more corn for their "money"—importers and owners of grain less "money" for their corn, and again there was a great transfer of capital.

England, moreover, had been expending her capital abroad: to take two marked instances, for the sake of example, in India and the Mauritius: in the one case, for the production of indigo, sugar, silk, and other commodities; in the other,

chiefly for sugar only. The amounts thus expended were only partially reproduced. Those concerned in the cultivation of the latter complained, and we think not without reason, that while the country was bent upon having cheap sugar, whether yielded to the toil of the slave or the free man, the Colonial Office could see only attempts to introduce slavery in disguise in any plan, however justly designed, to organize labour in our own dependencies. It is also unquestionably true that planters in all places were slow to see the signs of the times, or make any endeavour to reduce their own expenditure in accordance with the decreased value of their production. When their own means were exhausted, they continued to live on "credit," or, in other words, on capital borrowed from English houses, whose resources were supposed to be ample (and no doubt might orginally have been so) to meet all the apparently probable fluctuations in the trade, on the security of which they made their advances.* But it is beside the present question to inquire *how* these deficiencies arose. The fact that there was a great accumulation of such deficiencies is enough for the argument. Certain great houses trading with the East Indies and the Mauritius owed debts in various quarters—planters owed debts to them; but the capital lent to the planters had been expended long ago. They had estates only, which would, at best, barely pay the cost of working under the then existing circumstances. The settlement of accounts, under such conditions as these, could not but be ruinous and disastrous to those most nearly concerned in undertakings which, no matter from what cause, were thus "unproductive."

Our currency doctors would be quite consistent in arguing,

* The drain on the resources of a House of Agency supplying funds for the working of thirty or forty estates—the owners of which drew, perhaps, 1,000*l.* or 2,000*l.* a year, for personal expenditure, in excess of their actual earnings—may readily be estimated.

that such a loss of British capital was very lamentable; and that, as neither merchants would lend to make good the cost of these factories, nor bankers to merchants upon bills of exchange more indirectly representing such purely nominal securities, therefore, Government should issue notes to make good the deficiency—to represent, in fact, capital which had been expended long ago, and which had not and, in the opinion of those best qualified to judge of such matters, could not be reproduced. Men "best qualified to judge" are, no doubt, liable to error, and may withhold their capital in cases where they would act wisely and prudently—both for themselves, those requiring "credit," and the general benefit of the community at large—by freely dispensing it. Nay, more: very great benefits may result from a governing power borrowing capital on the credit of the State, and applying it to the development of the resources of a country, for the general good of the community at large—though in England such operations are better left to the abundant energy and resources of the people. But all these are questions of capital, and not of currency at all. Avowedly borrowing capital on the credit of the State is one thing—disguisedly doing so by tampering with the currency is another; and the same may be said with regard to the Bank of England.

The causes which led to the crisis of 1857 were precisely similar in principle to those to which we have adverted; though, being of a more exclusively commercial character, they could not so readily be made intelligible to the general reader.

In both instances, the Law of 1844, limiting the issue of Bank of England notes, was suspended by an Order in Council, the expediency of which is generally, but not universally, admitted: the panic quickly abated, the order was withdrawn, the law resumed its full force, and the requirements of trade were met in the ordinary manner. Now, if

the real object of the Act in question were to prevent such "panics" or "crises"—to regulate, in fact, the whole foreign and domestic industry of the country on sound and prudent bases,—its opponents might well cry out that it had failed; but no such unreasonable expectations are entertained by its upholders. Their aim is confined to preserving that portion of capital, which is used as a national currency, from being involved, directly or indirectly, in the failure of speculative enterprises; and this object has certainly been attained. The wisdom and expediency of the legislation for this special purpose, is by no means necessarily impugned by the fact that exceptions were made to it, under wholly exceptional circumstances, arising from external causes. The very word "panic" implies, that fear, and not reason, was for a while in the ascendant. Not that all those who feared were individually wanting in reason, for the fear of the effects of unreasonable fear is, in itself, a most reasonable cause for precaution. The letter of the law was relaxed, under a just and well-founded conviction, that its real intentions would not be departed from.

There is, we believe, every reason to consider that the demands so urgently pressed upon the Bank were not in reality for currency, but for capital, in the strictest sense of the word. All "money" is capital, though it is hardly needful to add, that all capital is not money. If a man can place his hand on ten notes for one thousand pounds each, and say, "This is my capital," he undoubtedly has his capital—his purchasing power—in the most available form, though he cannot use or in any way make it productive without exchanging it, directly or indirectly, for labour or the products of labour. Under all ordinary circumstances, therefore, neither notes nor bullion will be kept or hoarded; but, in crises of danger and panic, when all men are thinking rather of averting or mitigating losses, than of making profits,

there are very many who will keep a considerable reserve in this form. It may be foolish and selfish, but it is utterly impossible to prevent men from so doing. Capital, and especially that portion of the Bank's capital which usually performs the function of currency, was thus "locked up" at the time when the free interchange of commodities was interrupted, and the facilities of "credit" were more than ever required. If the Bank or the public could have obtained the ordinary use of the extraordinary reserves thus held, there can be no doubt that the resources of the Banking Department would have been fully adequate to meet all the demands made upon it. But as it could not immediately obtain them, and the necessities of the public were very urgent, its directors were authorized to apply to the Issue Department to increase the amount of its available resources, giving ample securities, which they had every reason to believe they could redeem as soon as the notes and bullion withdrawn from them, and from the ordinary channels of circulation, should be returned—an expectation which was promptly and fully realized. It was a very delicate and exceptional, though it may be admitted to have been, under these peculiar circumstances, a very useful and even necessary operation.

If the want had been of currency merely, and not of actual capital, it is impossible to believe that no attempt should have been made to supply this special deficiency. The retail transactions of daily life, for which tangible money is chiefly required, were certainly not curtailed from any such cause. There is no law which can prevent bankers' cheques or bills, nearly due, from being passed from hand to hand. They would not have been a legal tender; but, even at the worst times, a very large amount of such paper could have been collected, to which no suspicion whatever would attach: men would be as little likely to take it if notes were readily to be had, as to refuse it if other preferable currency could

not have been procured; but we are not aware that any indications of an actual scarcity of a circulating medium were ever exhibited. The real want was that of capital, and it is needless to prove that that cannot be created at will.

We have argued this question at some length, from a strong conviction of its practical importance to the social wellbeing of the country, and the progress and development of our industrial organization. It would be an immense advantage to society, if all commodities could be represented as freely, truthfully, and effectually as bullion now is under the existing laws regulating the paper currency; but this, from the very nature of the uses to which they are applied, is altogether impracticable. But though it may be and, we believe, is impossible to do more by direct legislation, very great improvements may be attained in the general working of our commercial system by the more effective control of public opinion.

To such direct and palpable frauds as are punishable by the common law of the country we do not refer, but to the lax manner in which value generally is far too commonly represented on paper. Receipts, in whatever form, for commodities in kind, such as "warrants" or bills of lading, are too direct and simple to be made the subject of much mystification. The nominal amounts of stocks and shares also are very well known, and understood to represent only the amount of capital invested or expended; they are sold at a premium or discount, according to the estimate formed of their actual value at the time of transfer. However men may be deceived regarding such securities, the form of such representatives of value does not aid the deception. But the case is widely different with bills of exchange and notes (other than bank-notes), which are, as we have before explained, promises to

pay money hereafter in consideration of value presently received—the *means* of obtaining or procuring the money thus required, at some future and (generally) determinate period, being left to the honour and discretion of those undertaking these obligations. The abuse of the credit thus accorded is one of the most fertile sources of the evils which mar and embarrass our commercial system. If we may be permitted to apply a singularly felicitous form of expression, the greater danger, we would say, consists in considering paper as the substitute for capital and commodities, not as the representative of them. They do *not* "necessarily multiply or diminish both at the same time," "a state of things of all others the most calamitous" to those who justly expect to receive value, in exchange for the paper representatives of value.

We have already endeavoured to explain the real nature of the obligations assumed by those who receive "credit" on such conditions. The "trusts" imposed are general, and not specific. It is essential to that freedom of action, which is necessary for the successful management of many of the enterprises of commerce and industry, that they should be so. The purport of notes and bills of exchange is not to represent specifically capital or commodities, but generally *value* in some form or other, adequate to discharge a specific obligation to pay a certain sum of money at a certain date; and it is highly desirable that the tenor of all such documents should generally represent, as nearly as possible, the real nature of the operation on which their value depends.

It is far beyond our knowledge or experience to attempt to describe "how things are done in the City;" but the discrepancies between form and fact are sometimes too glaring to escape notice. Monied men speak of the necessity of dealers in commodities having an ample margin of capital of their own, to meet losses arising from the fluctuations of

prices. Mr. M'Culloch, in his most valuable treatise on Money, speaks strongly, and most justly, against those who engage in speculative enterprises on "Credit"—that is, on borrowed capital only. As a comment on such sound theories, we now and again hear of great commercial failures. The difficulty is often announced at first as merely temporary. Twenty shillings in the pound, or more, are shown on paper; and the admirable way in which the accounts of the "unfortunate" concern have been kept, is the subject of laudation. Bills and such-like documents coincide, we presume, with these delusive statements; but the result turns out to be, ultimately, a miserable dividend of 10 or 20 per cent. on the debt so represented. If we further inquire what great revulsion of prices has led to losses so enormous, we soon find that a small portion only of the deficiency can be accounted for in any such manner; but bills, it is found, have been habitually used as the substitutes for, instead of the representatives of, value. Here is, evidently, something far worse even than overtrading on borrowed means. Losses, it appears, are made good by borrowing capital, on the faith of bills which never have represented any value at all, and which are paid only by further borrowing on bills of a similarly deceptive kind. Yet, nevertheless, even for such flagrant abuse of credit as this, there is no reparation at law; and the radical distinction between bills founded on fiction and those founded on fact, does not generally seem to be very clearly recognised even in theory. That legislation is incapable of improvement in this respect we do not assert; but a little reflection will show how extremely difficult it would be to devise laws which should repress the abuse, without greatly impeding the necessary use of credit.

But we venture to think that some improvement might be effected if "paper" were, by common consent and custom, more closely adapted to the real nature of the transactions

carried on by its means. Mr. McCulloch directs his objections pointedly against "long bills," but the term appears to be somewhat too vague. What term is to be considered "long"? A bill drawn against a cargo of fresh fruit from Normandy, payable in two months, or even in one, may well be accounted "long." The value represented must either have perished in the importer's hands and been lost to him, or have been turned into money, within even the shorter period. But for a trader obtaining credit on bills based on shipments to distant parts of the world, a far longer limit would be too short. There is no doubt that, in many cases, the actual security afforded by such transactions is perfectly satisfactory: and such being the fact, capital is and will be advanced upon them; and it is surely far better, more simple and truthful, that the term of the bill should correspond in some degree to the length of the operation. Similarly with bills drawn against stock supplied to those who sell again to retailers or consumers, how can we rightly speak of such bills as "long" or "short," except with reference to the average time required, under the ordinary conditions of the trade; whatever they may be, for this work of distributing goods and collecting money for them?

That bankers, especially those who have to employ funds lent to them for short periods only, should be cautious as to the amount they take of long-dated bills, is very true, and it is reasonable also that a higher rate of remuneration should be charged for the extended facilities granted; but on such conditions, there seems to be no reason why such securities should not be in favour with those who have large capitals of their own to employ. It is not long *transactions* that are discouraged, but simply the long bills which most accurately represent them; but there is certainly an incongruity in making a bill, based on the value of a commodity which has to be turned into money, fall due at a time when that com-

modity is probably on board-ship in the midst of the sea, or, in the ordinary course of business, yet unsold in stock. If such securities are good at all, they are surely better for the longer than for the shorter term. The practical benefit in the change of custom suggested, would be that a distinction could more readily be made between those who did and those who did not require "renewals" of their bills. Such extensions of credit ought to be exceptional, and are objectionable in theory; but if short bills are indiscriminately looked upon with favour, while long bills, however fittingly they represent transactions affording the best possible security for their due payment, are regarded with disfavour, a system of renewals is encouraged, and paper is more generally regarded merely as a means of raising money.

We confess we have never been able to get any definite idea regarding the real nature of accommodation-bills: there is a kind of suspicion about them that, at best, they represent value of a very vague and uncertain character, or are fabricated to raise money which has been or is to be *spent*, and not *invested* in any legitimate commercial enterprise. Perhaps a fuller recognition of the principle on which paper should represent value might rescue some bills from the stigma implied by the name, and extrude others more completely from circulation in reputable circles.

It may be said that it is very easy to speculate on theories, but utterly impossible to enforce them in practice. To *enforce* them it may be, but the firm and judicious exercise of public opinion can do much; and surely, nothing can be more pernicious than lax doctrines generally held, or even tolerated, regarding what are essentially matters of common honesty and integrity. It is perfectly true that checks, in detail, cannot be relied upon—that men must trust each other; but that is only the stronger reason why the best influences of society should be brought to bear, in favour of straight-

forward simplicity in all mutual dealings between man and man.

Life would be a perfect burden, if we could not constantly take for granted many things on which our very lives depend. A man, for instance, who would refuse to enter a house until he had satisfied himself of the security of the building, would be a very troublesome lunatic; but what should we say of one who were to argue—It is absurd to talk of walls, or beams, or foundations. If every man were to examine these things for himself, the house would be destroyed. Be practical, and look to facts, and don't talk of what no man need know anything about. Take care of those things by which men really do form their judgment. The paper is all they see on the walls: here is one warranted to stretch, and never show the cracks—a perfect "substitute" for walls, in fact, upon the veracity of the manufacturers. As to arches bulging or beams bending, a little well-arranged framework makes that all right: what men want to see is a straight line, or a fairly rounded curve. These statements are for the most part perfectly true, but he who so argued would be better qualified for Newgate than for Bedlam. Houses so built must speedily fall, and men would not feel it necessary to explain away the fact that the best-constructed edifices sometimes come down, with perhaps even a heavier crash, to justify them in punishing such dishonest workers with the utmost severity. The use not only of means so flagrantly deceptive, but of all means which were, in the estimation of reasonable men, calculated, even if not intended, to deceive, would be unreservedly condemned.

The only legislation, which can affect, or in any degree control, our commercial system, is that on bankruptcy; and there is, we maintain, but one inquiry which it is within the province of any court to institute. The investigation may be infinitely complicated, but still the true question resolves

itself into this: Has, or has not, "credit" been obtained by fair and truthful means? Have expedients calculated to deceive been resorted to, and have they been adopted with the intention to deceive? In plain English, Has, or has not, money been obtained under false pretences? Beyond this, the functions of judges or commissioners can hardly be beneficially extended. Even if they could be supposed competent to decide as to what was "legitimate" trading in any other sense, it is notorious that those who are forced into bankruptcy are often more sinned against than sinning. Inexperienced or sanguine men are tempted into rash speculations, for which they are legally responsible, but the gains of which, if successful, are shared with others. Money is very frequently lent at exorbitant rates of interest by those who know, or who have no excuse for not knowing, the real nature of the security on which they depend. The lenders are thus at least as culpable, perhaps more so, than the borrowers. But if third parties are induced, by false statements or deceptive documents, to embark their capital in a failing concern, the bankrupt can in no degree be held excused, on the ground that others, equally to blame, escape punishment; any more than a burglar can claim an acquittal because his accomplices cannot be apprehended. How far notes or bills of exchange, which have never represented any value at all, are to be considered fraudulent or deceptive, it is not for us to decide. That must depend on the "understanding" which actually subsists among those who deal in such paper. That they are calculated to deceive, no one will deny; but while general opinion is not clear on the point, detected offenders will claim the benefit of the doubt, very much, we apprehend, to the public detriment.

Lawyers, we know, have a very strong objection to the word we have used. "An understanding," to quote the casual expression of an able legal writer, "every lawyer "knows, is a covert expression generally introduced when

"one person wishes to impose upon another terms which "have not been agreed upon between them. One party is "sufficient for an understanding; but two are required for "an agreement." This, in a certain sense, is perfectly true, and is the natural view presented to the mind, if we judge only from the experience the Courts afford. But if every man were restrained only by the fear of the law from wronging his neighbour, and all was held right that could not be proved to be illegal, society would be a perfect hell upon earth; or if, on the other hand, the powers of the law were to be employed on mere suspicion or probability, its despotism would be intolerable. Nothing, we readily admit, is easier, or more useless, than to suggest amendments in practice, on the supposition that plaintiffs are all honest men, and defendants all rogues: or the reverse; but the powers of the law must necessarily be limited, not only by the uncertainty of *all* human testimony, but by the special uncertainty and inexactitude of the evidence of men placed in direct and often hostile opposition to each other, and regarding the subject in dispute from different points of view. That which can be enforced by law is, therefore, no measure of that which may be maintained by consent, commonly implied, though not formally expressed.

By far the greater part of the business of the world must be carried on by understandings; and, not to allude to intentional fraud or overreaching, it is only the understandings misunderstood that ever come into court. Disputes generally arise from circumstances occurring which were never foreseen or contemplated by either party, but which materially and unexpectedly alter their mutual relations—sometimes also from a want of courage, on either or both sides, to bring the points really at issue to the definite settlement of an agreement. This species of folly, though certainly not characteristic of the ordinary dealings of men of business, is probably the most fruitful source of litigation. But it must be remem-

bered that experience drawn from the courts of law, however extensive and varied, is founded only on a large aggregate of exceptional cases; and invaluable as the deductions drawn from it are, for elucidating the laws of evidence and determining the rules of court, they are partial and fallacious when applied too broadly to the affairs of life—just as, in physic, it would be impossible to derive general laws for the preservation of health solely from the study of disease. The one instance where a transaction ends not merely in a dispute, but in such a quarrel or difference of opinion as cannot be reconciled by friendly intervention, is the exception, against thousands upon thousands of cases where all things go on according to mutual expectation. Legal remedies for evils of the kind alluded to, are frequently and necessarily open to the broad objection, that they are worse than the evil itself. The premium of insurance is out of all proportion to the risk incurred, and the protection at best is but partial and comparative. But though the vast majority of the transactions of life will be carried on by understandings, the simplification and improvement of the law is not the less important to the interests of society. All losses, whether by fraud or "irregularities," come immediately from profits; but the average waste from these causes must ultimately come from the general body of consumers.

Mercantile custom or usage is another plea often very embarrassing to the lawyer, the more so, as it is one the real nature of which does not always appear to be very clearly perceived. Such custom cannot be expected to be either of so definite or of so permanent a nature as laws ought to be. The object of men, in commerce, is to carry on their affairs in the simplest manner possible. Circumstances are constantly varying and usages changing with them; and no man is morally bound to comply with a mere custom. But the knowledge of such usage and custom is often most

valuable, to enable men to estimate the comparative credibility of conflicting testimony. The practical difficulty now is, that an active attorney can as readily find ten positive and ignorant witnesses who do *not* know of a custom, as half the number who are able to give any intelligible account of it. The remedy for this might be found in submitting such points to assessors—men of character, and competent technical knowledge of the subjects referred to them, and who would act, moreover, with a sense of judicial responsibity. The Brethren of the Trinity House, men of proved experience in maritime affairs, aid in this manner the decisions of the Admiralty Courts.

But, however constituted a court might be, causes would no doubt come before it, in which it would be evident that neither one side nor the other had ever had any definite idea of what they were about from beginning to end. For such cases there is no remedy. Exposure would be the best punishment for those who persisted in intruding such preposterous quarrels on the public; and the fact that those best qualified to judge of such cases, could make nothing of them, apart from all technical difficulties, would imply a censure that few would willingly face a second time.

The great cause which leads to irregularities in the first instance, and too often, eventually, to downright fraud, is the confusion of ideas which mistakes the form for the substance—paper, for that value which paper, in one way or other, ought at all times faithfully to represent.

As we have before had occasion to remark, the manner in which the demand and supply of all commodities are in reality adjusted, without organized concert or design, is truly most wonderful. Knowing this, we may be perfectly sure that, if paper truly represent commodities under the various conditions on which they are held and owned, as we endeavoured to explain when treating of credit, the circulation

of notes and bills of all kinds will necessarily be regulated with equal certainty. That there is a constant loss from misadventure and error of judgment, we all know perfectly well; and we know also, that the actual extent of this waste is not sufficient to cause any sudden or serious derangement of our industrial system. It is only when these losses have been concealed, and, so to speak, suffered to accumulate, that any great revulsion takes place; in fact, the general stock of the country is thus misstated; not that of any particular commodity or description of property, but the aggregate value of the whole is, in effect, represented to be very much greater than it really is. It must be found out at last, that capital has been given merely for worthless paper. Wealth is not so much actually lost in a crisis, but the discovery of losses unfairly hidden, and thus unjustly thrown on others for a while, paralyses credit.

And of all the true resources of a nation, this is the most essential. Credit, in one sense, is merely borrowed capital: in another and higher view, it is the great bond that unites together the whole fabric of our social industry. As it is weakened, that co-operation of intelligence, capital, and labour, by which the great work of reproduction is carried on, is rendered less effective, and all suffer together. It is quite unreasonable to suppose that those trading on their own capital can suffer unduly from the competition of those depending mainly on the support of "credit" fairly obtained and fairly used, or that those who have to pay interest on the greater part of the money they employ, can undersell those whose profits are not subject to any such reduction. When trading on credit is denounced, the implication is that the fortunes of others are risked in a way in which no prudent man would endanger his own. It is folly to suppose that capital, so misapplied, is obtained without misrepresentations, more or less flagrant, on the part of the borrowers. There

may be capitalists, on the other hand, who desire to increase their gains without either risk or useful labour of their own, and who are justly doomed to disappointment.

It is by no means the wealthy only who are specially concerned in this question. The interests of all who, in their different degrees, desire to work truly and fairly together, are identical. All alike depend on profits, or, more strictly speaking, on the ample reproduction of capital consumed: and the greater the mutual confidence that subsists between all, the more simple, direct, and truthful the representatives of value which pass current among all, to facilitate the more effective and convenient division of their common labour, the better for the honour, credit, and prosperity of the nation.

VII.

THE REMUNERATION OF SERVICES.

INTEREST.—PROFIT.—WAGES.

Profits and Wages—Ricardo's Theorem, and Mr. Mill's—"Wages" and "Cost of Labour"—All Remuneration dependent on Natural Agencies—The Necessary Restraint on Population—Mr. Mill's Definition of Gross Profit—Interest, Profit, and Wages considered more in Detail—Profit and Profits—Illustration of Different Modes of Service and Remuneration—Moral Ground of Right on which *Interest* is based—Difference between *Profits* and *Wages* illustrated—Cases of Exceptional Profits—*The Division* of Labour—Utility as lessening Cost—The Nature of Services illustrated by reference to Railway Undertakings—Qualifications for the Management of Affairs—Contract System—Profits of Shareholders—*Speculators*—*Risks*—Banking Enterprises—The Joint-stock System—Similarity of Work done for "Profits" to Contract Work—Association for carrying out Experiments—Remedying Bad Service—Patents—Agriculture—On the Proportion of Profits to Outlay—Effect of Competition—Limits Discretionary Power of Producers—Cotton Manufacturers—Divisions of Labour in the Commercial System—Mental Labour.

The Poor Man's Lot—Division of Capitalist and Labourer casual only—Losses which accrue to Capitalists—Profits to Enterprises among all Classes—Abundance of Capital seeking Employment—How Employers' Profits are reduced by Competition—The Want of Productive Power referable only to Want of Direction.

Profits do not lessen or come out of Wages—Exceptions to the Operation of this Rule—Theory of Protection and Competition compared—The Object of the Latter to increase the General Production—Combination as limiting Population—Cruelty of Restrictive Trade Combinations—Competition works for the Common Good of All—Not for the Benefit of Masters—Competition in Different Classes depends on the Number qualified to do the Work of any Class—Three Kinds of Competition—Education—Incapacity of Manual Labourers to recognise the Value of Mental Labour—Co-operative Associations—Rochdale Society—Association and Competition—No Inferiority implied by Wages—Difficulties attending Division of Labour—Remedy by Higher Education—Moral Aspect of the Subject—Conclusion.

VII.

THE REMUNERATION OF SERVICES.

INTEREST, PROFITS, AND WAGES.

THE general laws of value, the conditions under which possessions are held, and the means by which they are represented, having been considered, there yet remains the great and most important social question of the division of the fruits of labour among those who, in various ways and in different degrees, have aided in the work of production and distribution. Many minds have been long and earnestly engaged upon it, and as numerous theories are brought to the test of experiment, and rejected or reduced to practice, the sum of knowledge is increased; but the subject is one which is still far beyond the limits of exact science, and we shall not attempt to do more than offer some remarks on the modes in which "productive" services are commonly remunerated.

A general, but somewhat vague, opinion prevails that the theories of Political Economy place profits in opposition to wages; the whole value of commodities being divided, according to Ricardo,* into two portions only—viz., the "profits of stock," and "the wages of labour," either one of which cannot be increased except by the reduction of the other. But those who have realized the idea that labour is supported by the constant consumption of capital, and that capital is reproduced only by the constant efforts of well-directed labour,

* Ricardo's Works (McCulloch's Edition), 1846, cap. vi. p. 60.

will have little difficulty in rightly understanding the theorem, which is, indeed, only the statement in arbitrary terms of a simple matter of fact: for it is evident that the larger or smaller the proportion of the total reproduction required to replace that consumed by those termed "labourers," the less or greater will be the remainder thus designated as profits. But still the question remains—What are profits and what are wages? By whom and for what services are they earned?

Mr. Mill* more fully states the theory, showing that the gains of capitalists, speaking generally of all the capitalists of the country, depend first on "the magnitude of the produce—in other words, the productive power of labour;" and secondly, on "the proportion of that produce obtained by the labourers themselves—the ratio which the remuneration of the labourers bears to the amount they produce." He further points out a most important distinction between wages and the cost of production. *Wages* are the real remuneration of the labourer, which must be considered as high or low in relation to the cost of those things which the labourer consumes:—thus, for instance, when the necessities of a community have forced them to have recourse to poor soils, and food is consequently dear, money wages may be high, but the labourer, in reality, is very badly off. The *cost of labour*, however, must be estimated with reference to the real quantity of the labour actually performed—the effective skill, industry, and intelligence of the workman: as, for example, a gang of ten or a dozen well-trained stalwart English navvies will probably do as much as double or treble the number of ordinary villagers, or as, perhaps, a hundred Hindoo coolies; and, even though very highly paid, their work would in reality be cheap.

We may say therefore, that wages and the cost of labour depend upon conditions which are totally distinct. Except under peculiarly adverse circumstances, a high rate of wages

* Principles of Political Economy (5th Edition), Book ii. cap. xv. sec. 7.

and a low cost of labour are quite compatible with each other; while, inasmuch as the mental and physical condition of the labourer cannot be properly developed under unfavourable material conditions, it is contrary to all reason to suppose that the greatest effective power of production, or (what comes to the same thing) the lowest cost of labour, can, in any case, be attained where the wages of any class of workers are unduly depreciated.

All production depends, as we have already seen, on the diligent and judicious use of natural agencies. As long as the supply of these is unlimited, no bounds can be set to the increase of the return yielded to labour, and to the capital which supports labour, while engaged in those operations by which the best results are ultimately, but not immediately, obtained. The fruits of labour will increase with its efficiency: it does not follow, however, that increased remuneration will be earned by, or paid to, unskilled workmen, but rather to those by whose powers the true value of their labour has been augmented.

If, on the other hand, the natural agencies available for the use of any community are really inadequate for the supply of an increasing population, nothing that man is able to do can remedy the deficiency. Thus, the price of corn is, in the words of Ricardo, "regulated by the quantity of labour "necessary to produce it with that portion of capital which "pays no rent;" that is, on the total cost of production, on the least fertile soils, to which the necessities of a country compel it to have recourse to make up the total supply required for all its wants. We have already endeavoured to show how Rent, in the sense in which the word is used in Political Economy, inevitably arises, and how its accidence is the effect, but in no degree the cause, of the enhanced value of commodities affected by the conditions under which this charge accrues. To what extent science and art may yet be

able to render the resources of Nature serviceable to the wants of mankind, for the supply of food and the primary necessaries of life, it is impossible to say; but this much is certain—if the powers of production do not keep pace with the increase of population, the same aggregate of production must be divided among a greater number of claimants. Now, the minimum cost of labour is very far from being the minimum rate of wages required to support mere existence; and a high price of food thus renders a comparatively high rate of wages absolutely necessary for the attainment of the least possible cost of production.

If, therefore, we suppose the industrial resources of a country to be organized in the most efficient manner, the condition imposed on the so-called labouring classes, meaning thereby those generally dependent on manual labour, may be one of constant toil and hardship; but as long as profits are gained at all, competent, frugal, and industrious workmen must be maintained in a position removed by many degrees from that of actual indigence; for the reduction of wages to the minimum would diminish the effective power, and consequently enhance the real cost of labour, so that no surplus whatever would be left for "profits." The remuneration of all may be reduced to the common level of the least rate of wages compatible with the real attainment of the lowest cost of labour; but if, then, the returns yielded by Nature to labour, applied with the utmost known skill and diligence, are inadequate for the wants of all, an inevitable degradation must ensue. A deficiency in this extreme sense involves a diminution of productive power; and under any possible perfection of system for the distribution of wealth, the pressure of actual destitution would reach and quickly overwhelm the mass of the people indiscriminately. Profits would be absorbed by the increased cost of labour requisite for production. Rents would, of

course, increase, and the owners of them might, in the first instance, be comparatively enriched; but as all public burdens must necessarily be thrown on the only interest which, under the conditions supposed, is capable of sustaining them, even those who enjoy the monopoly, whether natural or artificial, of the "inherent powers" of the soil, must eventually share in the distress common to the rest of the community.

This argument has been pushed to an extreme, to bring clearly to mind the great fact, that the remuneration of all industry does not depend merely on the ostensible wealth of a country, but on the extent to which its natural resources are adequate to the supply of the primary material wants of its population. However industrious and rich in other respects a nation may be, limits have been assigned by Nature to the numbers which can be sustained by the fruits derived by labour from its soil; limits which have been, and may yet be, very greatly extended, but which, nevertheless, cannot be surpassed. The laws which govern the distribution of the products of labour, must be overridden by the imperious necessity of first supplying the simplest wants of our physical nature; and if the utmost exertions of which men are capable, with all the aid which science and organization can afford, are sufficient only for the supply of these material wants, the common lot of all must be one of ceaseless and hopeless toil. If there be no surplus to divide, the question of distribution ceases to have any practical interest or significance, and the resources of all are absorbed in the struggle for the maintenance of mere existence. Other necessaries may, indeed, be very cheap while food is very dear; but this only equalizes the condition of all, while no surplus can accrue to any.

Little inconvenience will arise as long as the products of industry, derived from the use of those natural agencies

which are supplied freely, or without limit, can be exchanged by commerce for food grown in countries, where the natural fertility of the soil still affords a superabundant return to the labour bestowed upon it—in other words, where food can be obtained in exchange either for manufactures or works of art, the production of which is dependent only on the use of such natural agencies as are supplied apparently without limit, or for metals drawn from mines, the comparative riches of which have not been exhausted. But it is absolutely essential to the prosperity of a nation, that an adequate supply of all the necessaries of life should be obtainable, directly or indirectly, at an expenditure of far less than the whole productive power of the labour supported by them. Ultimately the necessity must arise, partially and exceptionally it may be said to have already arisen, of restraining the increase of population within the bounds assigned by a due regard to the common welfare of all. The question comes simply to this:—Whether a restraint is to be imposed by the prudence and forethought of man, exercising that reason which God has given him?—or whether the check is to come only from the operation of those natural laws which set an inexorable limit to the excessive increase of numbers, alike of mankind or of the brute creation?

Practically, the extreme evils arising from a pressure of population would be felt, both earlier and with greater severity, from the inequality in the distribution of wealth on the one hand, and on the other, from the inefficiency of the labour of too large a portion of all communities, owing either to active vice, or to ignorance and apathy, hardly less fatal to the productive powers of men so morally helpless and degraded.

But it is not our design further to pursue this branch of the subject. Taking such conditions as exist at present

among ourselves, the chief object of the present Essay will be to consider, generally, the real nature of the services for which remuneration, however designated, is commonly obtained.

Mr. Mill defines profit as—"The gains of the person who "advances the expenses of production"—"The net income "from his capital"—"The amount which he can afford to "expend in necessaries or pleasures, or from which, by "further saving, he can add to his wealth;" and subsequently, after some remarks as to the means adopted for the management of capital, concludes that, "Under any or "all of these arrangements" (to which allusion has been made), "the same three things require their remuneration "and must obtain it from the gross profit—abstinence, risk, "exertion. And the three parts into which profit may be "considered as resolving itself, may be described, respec- "tively as interest, insurance, and wages of superintendence." * The net or real profit is evidently referred to in the former, but all exact meaning is taken from the word "profit" by the addition of the adjective "gross" in the latter; unless, indeed, we are to conclude that all of the produce of labour, which is not devoted to ordinary wages, is gross profit.

Nothing can be more clear than the theorem that "profit," in the aggregate, is the excess of production over expenditure; but in this sense, profit may accrue to those who earn ordinary wages only, while the expenditure of all goes on during the process of reproduction. Speaking thus generally, we cannot say that the capital consumed by labourers is advanced, any more than that consumed by capitalists themselves; and we cannot perceive any way of distinguishing, economically, between wages of superintendence and other wages. Highly skilled labour may be very highly paid, yet the recipient in no way fit for, or entrusted with, the responsibilities of superintendence; while those earning and receiving wages

* Principles of Political Economy, Book ii. cap. xv. sec. 1.

very little above the ordinary rate, may be charged with duties which are distinctly of this character.

However, Mr. Mill, in the next paragraph, speaking of the lowest rate of profit which can permanently exist, says: "After covering all losses, and remunerating the owner for "forbearing to consume, there must be something left to "recompense the labour and skill of the person who devotes "his time to the business."* This last portion only would, according to our apprehension, more nearly accord to profit, regarded as remuneration for services—all wages, whether for superintendence or other services, being first deducted from the aggregate produce. If the manager of any business were paid only by a salary (which is, in fact, wages), the reduced profit, according to the common acceptation of the term, would accrue to the owner or owners of the capital who undertook the ultimate risk, and who would, in any case, exercise some thought and judgment on the general direction and control of the transactions entered upon; and though the aggregate return received might be described merely as a better interest for money, the element of profit would certainly exist and be clearly recognisable.

Mr. Mill, in the view which he presents of profits, "assumes "throughout the state of things which, where the labourers "and capitalists are separate classes, prevails, with few ex- "ceptions, universally; namely, that the capitalist advances "the whole expenses, including the entire remuneration of "the labourer"†—and leaves it apparently to be inferred that the wealth of the former is being constantly increased by profits, while labourers, bound down by custom and prescription, struggle on, almost inevitably, under our present system, for a maintenance by wages, from which all idea of profit is excluded. It is with this view of wages, we apprehend, that

* Principles of Political Economy, Book ii. cap. xv. sec. 2.

† Ibid. Book ii. cap. xv. sec. 6.

he writes, in his chapter on the "Probable Future of the Labouring Classes," that he "cannot think that they will be "permanently contented with the condition of labouring for "wages as their ultimate state. They may be willing to "pass through the class of servants in their way to that of "employers; but not to remain in it all their lives."* And further, in a subsequent chapter on "Partnership," he "takes "occasion to repeat his conviction, that the industrial "economy which divides society absolutely into two portions, "the payers of wages and the receivers of them, the first "counted by thousands, and the last by millions, is neither "fit for, nor capable of, indefinite duration: and the possi- "bility of changing this system for one of combination with- "out dependence, and unity of interest instead of organized "hostility, depends altogether upon the future developments "of the Partnership principle"†—implying, as we apprehend the words, that profits, in the sense in which profits are the portion of gain falling to employers of labour, should be shared by all labourers.

Wages are thus considered as paid to labourers, and all profits as accruing to capitalists, on the avowed assumption that one of their functions is the right direction and control of labour. It is not our object to contravene the doctrines enunciated in this form by high authority; but, in regarding the concrete question of the remuneration of services in its varied and complicated bearings, due prominence must be given to the powers of the mind, by which material capital and manual labour are brought together, directed, controlled, and rendered "productive." A different and, as we venture to think, a truer, as well as a more hopeful, view of our social economy is thus obtained; and many most interesting and important social problems may be more clearly elucidated

* Principles of Political Economy, Book iv. cap. vii. sec. 4.

† Ibid. Book v. cap. ix. sec. 5.

by considering further in detail the nature of the conditions under which men earn their several shares in the products of their common labour.

Thus, the increase acquired by those who simply abstain from expending and enjoying their capital, and lend it for the use of others, may be termed strictly, "*Interest.*" Interest, to use the phrase introduced by Mr. Senior, and adopted by Mr. Mill, is the "remuneration of abstinence:" the service rendered is passive rather than active. *Profits*, fairly earned, are the average gains resulting to the intelligent and judicious enterprise of those, who, at their own risk, employ capital, whether their own or that of others. Those engaged in undertakings remunerated in this manner, set against the certainty of their outlay, the expectation that the total value reproduced will exceed the whole amount expended. The more fixed and certain emoluments accorded to skilled or unskilled "labourers," in various degrees, for the performance of more definite services, are of the nature of *Wages*. "Fees," "premiums," and "commissions" of all kinds may partake of the nature of both wages and profits.

The word "profit" is, in fact, used in two different senses: the first is the excess of production over expenditure; the second (and commoner), the uncertain remuneration of those who undertake, not the superintendence only, but also the *risk* of employing capital, and who, in a greater or less degree, control the direction and manner in which labour is employed: the expectation of profit and the risk of loss are constantly associated together. In the former sense, profit cannot be said to be what a man may spend, but what he can, and actually does, save. In the latter, profit does imply that which a man may spend, but not necessarily that he can save or accumulate anything, after providing those things which he absolutely requires for his sustenance. The former may be said to be the scientific, the latter the popular signifi-

cation. We shall generally use the word "profit" in the first, and "profits" in the last sense.

In considering generally the "remuneration of services," it is most important to keep this distinction clearly in mind. For one of the great social questions of the day may be resolved very much into this: Whether, in apportioning the products of labour, is it necessary or desirable, for their just distribution, that "profits," in the latter and common acceptation of the term, should be divided among all the co-operators? or is it better, for the common interests of all, that they should generally be considered, as at present, the appropriate form of remuneration for a particular class of services? That it is in the highest degree desirable that every worker should be able, by the exercise of a reasonable amount of frugality and self-control, to save something from his earnings, and in this sense acquire a profit, is a principle upon which there can be no difference of opinion.

There is no reason why the remuneration earned under one form should be greater than that obtained under any other, apart from the real value of the services rendered. The capital of the nation is increased or diminished, equally whether its production is divided under the name of interest, profit, wages, or any other denomination. If the whole of the amount paid by capitalists, or the employers of capital, as wages, be not expended by the receivers, the portion saved must still exist as capital, although transferred to different hands; and capital may thus be increasing, even when the "profits" accruing to those who pay wages may be insufficient to cover their expenditure. The amount actually consumed by all engaged, directly or indirectly, in reproductive labour, is the true cost of production; and the excess of production, over the cost of production, is the profit to the country.

Thus, to take a very simple illustration, the owner of a flock of sheep might commit the charge of them to a

hireling, who would undertake the duty of tending and guarding the flock, do his master's bidding, and account to him for the whole of the natural increase of his property, receiving in return "*wages*" proportioned to the services he was able to render. If the work thus done were recompensed by a proportion of the lambs born periodically, the remuneration would be of the nature of a "*commission:*" the direct risk of loss, as by drought or murrain, being still with the owner—the gain only being divided with the "labourer," whose share would, of course, be regulated accordingly. If the owner were to agree to share, rateably, both the gains and losses, with one whose experience and skill enabled him to undertake all the charge and care of the management of the flock, the remuneration thus earned by "labour" would be of the nature of "*profits.*" If, however, the whole risk and charge were assumed by another, and the owner secured a certain fixed return periodically, independent of casual losses or gains, his recompense would be of the nature of *interest*, which could be paid by him who took charge of the flock, only out of his average profits. The support of all comes from the same source—the natural increase of the flock tended and guarded by human skill and labour; and it by no means necessarily follows, that the recipient of profits is better able to accumulate savings, than he who obtains his share under the name of wages.

But there is no doubt that the lowest form in which labour can be supported, is by the payment of wages just enough to sustain the labourer in the health and strength sufficient for the daily toil required from him. The strong, therefore, have generally forced the weak to work for wages thus reduced to the minimum. The more ignorant and unskilled are seldom capable, in fact, of fairly earning a larger portion of the common produce; but the depressed condition of the labourer must be ascribed either to his weakness or his igno-

rance: it is only by a false association of ideas, that it can be attributed to the *form* in which he has been or is paid. The nature of the responsibilities undertaken, rather than the value of the services rendered, determine the mode in which remuneration is acquired and accorded.

Of that portion of capital which earns only the "remuneration of abstinence," we shall have little to say; but as this element of *interest* enters into all calculations of cost, it may be well to exemplify the moral grounds of right on which this charge is based. If we suppose that any one could, by a day's labour, produce enough to support him for two, there appears no reason why the loan of a day's subsistence ought to be paid for by more than its exact equivalent: or if one man, on the ground of common humanity, supply from his stores the immediate necessities of another who may have fallen into temporary distress or destitution, justice does not require that such a loan should be repaid with usury or increase. But if we suppose that, by diligence, and restraint from the indulgence of immediate personal gratification, one man were to save enough, say, for ten days' provision, and were to lend it to another, who, by reason of having this store prepared for his support for that period, should be able to work to so much better advantage, that the fruits of his exertion should be enough, not for twenty days only, according to the usual results obtained by labour, but for thirty, it is evident that justice will not be satisfied by a return of merely the equivalent of that which was lent. The increased advantages derived from the use of "capital," thus applied "productively," should certainly be shared with the lender; though in what proportion it should be divided may depend on many considerations, upon which we need not now enter. The interest of which we treat is thus the recompense, not for present risk or exertion, but for past labour, the fruits of

which have not been enjoyed or expended, but are available to render more effective the labour of others.

Men have,no doubt, at all times been prone to take advantage of a neighbour's extremity, to impose hard conditions upon him; and the operation of the same selfish principle may be traced in various forms. A creditor, who has the power, may extort from a debtor the fruits of his labour, far in excess of the value of his debt, although the capital lent has in no way aided production. Or a debtor, on the other hand, may, by force or fraud, wrongfully expend the means of others for his own pleasure or benefit, without giving his creditor any adequate compensation. The laws of Political Economy give no more countenance to the one form of oppression than to the other, and in no way militate against the higher duty of *giving*. But, strictly speaking, all such matters are beyond the scope of the science. It does not treat of money which, in common terms, would be said to be *spent*, but of that which is *invested*: not of capital laid out "unproductively," however well or ill it may be applied, but of the principles which govern the apportionment and distribution of the results of reproductive labour.

These principles may or may not be applicable to loans made for other purposes. Thus, if a man have real property, say in land, which he does not wish to sell to pay his debts, but prefers to borrow money upon it, he can only expect to do so on terms which will afford and *secure* the average rate of remuneration to the lender, although the capital supplied may not in any way increase the productiveness of the estate. There are men who will sometimes complain through ignorance, most unreasonably and selfishly, that their property would yield them an ample profit, if they were not deprived of it by the claims exacted from them for interest on money borrowed, as though they had a right to the advantages of the use of any resources except their own,

or could justly retain their own means of deriving an income at the expense of another.

Organized as society now is, with our very complex and, in some respects, very perfect industrial system, all capital may be applied, directly or indirectly, to productive purposes. A man can always get some interest for his money; and he who gives or lends parts not only with his money, but with his power of "making money." It may be said, therefore, that a borrower cannot, under any circumstances, fully acquit and discharge his obligation to a lender, without the payment of at least the minimum rate of interest: rightly so, we think, if the strict measure of just equality is to be maintained in pecuniary dealings. Loans without interest partake of the nature of gifts, and are often, when judiciously made, of the greatest utility—implying moreover, speaking generally, a generous trust and confidence reposed in the receiver. Extraordinary gains, extorted in whatever way, merely from the necessities of the borrowers, are not, in any manner or degree, morally justifiable, and there cannot be a greater error than to suppose that the principles of Political Economy give any sanction whatever to such dealings.

The legislation of later times has, indeed, wisely refrained from setting a limit to the rate of interest recoverable by process of law, because such restrictions can always be practically evaded, and fail, moreover, really to meet the evils against which they are directed. Interest much above the current rate, implies not only risk, but, generally speaking, such risks as neither lender or borrower are morally justified in incurring. If the nature of a transaction can really bear the light, it is seldom that any great wrong can be suffered. There are always many, not only ready but, anxious to lend money on any good security upon fair terms, or even upon uncertain security on terms fairly proportioned to the risk incurred; but when there is such a mixture of folly and vice

on the part of owners, actual or expectant, of property, that no prudent or strictly honourable man will have anything whatever to do with them, they must inevitably fall into the hands of those who, without scruple or mercy, will accelerate, and profit by, their ruin. No law can avail to remedy the complicated evils of cunningly-devised fraud on the one hand, and reckless vice and utter folly on the other. There are also instances where, without any moral wrong whatever on either side, loans cannot be obtained except at a very high cost, which might be called interest, but which in reality represents serious risk inevitably incurred; and such risk, considered on the basis of equal dealings between man and man, are not only a just but a necessary ground for a separate and additional charge. The appeal frequently, in cases of this kind, is not to justice, but to mercy, and they do not properly come at all within the category of economic dealings.

Strictly speaking, according to the definition given, the charge for risk and that for interest must be separately considered. The rate of interest depends on the demand for, and supply of, that portion of capital which the owners are willing to lend. To constitute an "effective" demand, the borrower must be able to give such security—whether real or personal—as shall satisfy the lender.

The essential difference between profits and wages, regarded as modes by which services are remunerated, we shall further endeavour to illustrate by a familiar example. Let us suppose the case of a shopkeeper, with a scattered connexion, whom he supplies with commodities of various kinds, and, to facilitate his doing so, keeps a horse and cart, and maintains a driver, to whom he pays wages. His object in doing this can only be to save expense and extend his business; but whether or not the advantage repays the cost, is a matter of more or

less uncertainty. If the horse fall sick or die, or the cart be broken, or his property stolen from it, the loss falls entirely on the master, and would be a charge against his profits. The servant incurs no risk or responsibility whatever, except that imposed by the common law of the land, which renders every man liable for the consequences of a want of "due care and skill" in the execution of any duties which he undertakes to perform. Let us suppose further that the shopkeeper does not find it answer to keep his cart and horse—either that it "does not pay"—or that he cannot spare the time to look after it properly—but still that there is sufficient employment in the neighbourhood for a carrier.

If the servant be honest and intelligent, and moreover with self-control enough to ensure his being thrifty and prudent, he may, from his own savings, and with the help of those who knew and trusted him, be able to buy this horse and cart. It is better that they should be thus his own property. He will have not only the common stimulus of self-interest to take the best care of that which belongs to himself, but the great practical advantage—to a competent man—of being able to manage his own affairs his own way. He will then enter upon his work as a common carrier, obtaining from his various employers certain charges for his services, and working for "profits;" but whether he can get more or less than he had acquired before, would depend upon circumstances entirely different from his mode of remuneration. He deserves more, for, in addition to all which was required of him as a servant, he has to exercise a greatly increased amount of forethought, discretion, and management. He must certainly expend much more of the power of labour, if not in manual work, in care and occasional anxiety. If he were fortunately in a growing and prosperous community, he might, without any extraordinary ability or diligence, prosper rapidly, extend his business, and become, perhaps, an employer

of others. If the place were decaying, he might only be able to struggle on for a scanty maintenance, whatever his deserts might be, and his capital "fixed" in the horse and cart would always be a burden on him, if he desired to try his fortune in a more favourable locality. Under the circumstances supposed, it would be unlikely that he could sell them without loss. In any case the profits acquired, though dependent on the use of capital—whether his own or borrowed—would be in no way commensurate to the sum invested. His true (or "net") profits would be the remuneration for special definite services, acquired under conditions essentially different from those under which wages are earned. If he were overgrasping and charged too much for his work, or became negligent and served his employers badly, he would have no master to check him, but would, sooner or later, reap the fruits of his own fault. Competition is the direct remedy the public have against such bad service: an endeavour might be made to induce another man to start in opposition; or any one qualified, knowing that many would be willing to support a new comer, might avail himself of the opening to try to better his condition in a new field. If an effective competition could not be brought to bear, and the general inconvenience were considerable, some of those who most wanted such work well done, might, perhaps, join together to make the outlay required, undertake the necessary supervision, and employ a hired servant, for the more simple routine of driving from place to place, according to orders. They would thus save any "profit" in excess of the rate of wages paid; but it by no means follows that it would be for their advantage to do so, as their time and attention would, in all probability, be better bestowed on their own business, and they would reasonably prefer to pay, instead of receive, any moderate profit, to secure a more perfect "division of labour."

If, on the other hand, we suppose our carrier to have

fallen among a society, not merely fully and fairly alive to their own interests—as an honest and independent man would desire those to be with whom he has to deal—but over prone, ignorantly, to drive hard bargains, evils of a different and far worse kind would arise. He might be so ground down as to leave him only enough to pay his way, without accumulating any reserve for accidents, and inevitable wear and tear: he would fall behind the world, and sooner or later would be compelled to abandon his attempt, and if he could make a living elsewhere, he would very soon leave the hopeless field to any one disposed to try it. Others might do so with the same results; but it would only appear more clearly, that it was impossible to get a living fairly and honestly in the place. This neglect to make due provision for inevitable accident and depreciation is a most common cause of failure, which may and often does arise from a want of self-control, or ignorance on the part of the trader, but which *must* arise from such abuses as we have alluded to. If what are called "gross profits," are in any way mistaken for actual gain on either side, much mischief inevitably results from any practical action taken under so serious a misapprehension. Still, there would be just the same want for a carrier, the same advantage in having one who would do the work at his own charge and responsibility; the field, though a hopeless one for a strictly honest man, might still be a very good one for an unscrupulous rogue. A clever trickster will find out ways of cheating; and, moreover, the mere blind and selfish instinct of beating down prices, is always easily turned against itself and deceived. We do not allude to such fraud as would come within the reach of the law, but all such deceptions as can be practised by falsehood and subterfuge—the most obvious and, perhaps, the most excusable subject for lying, being that of necessary outlay, losses, and charges. From the nature of the responsi-

bilities assumed, there is more scope for such "trade fictions" in such work as is done for a profit, than in that done for wages. Though by far too common, they are utterly indefensible. But, while a community of generally fair dealing people may hope to be fairly served, especially where competition is free—those who do not know and will not pay when they are justly dealt with, can never expect to be served either for wages or profit by honest men. The field is absolutely closed to the competition of all but unscrupulous tricksters.

There is a quaint old proverb to the effect that the best way to keep the devil's chaff out of the bushel, is to fill it with good corn—a saying most apposite to many of the social abuses so common in the present day. If society, through ignorance, apathy, and a want of due discrimination, will not take care that its demand for good and honest service be "effective," it deserves to suffer—not that profits, or wages, generally will be too high, for competition will operate as effectually among the most unscrupulous as among the most open and straightforward dealers, but that the quality of the service rendered will be of the worst description, and the cost of labour, whether paid by profit or wages, will be high, while the real remuneration of labour may be extremely low, and waste, which it is the common object of all to avoid, enormously increased.

But this, it may be said, is mere theory—that every-day experience shows that large profits are constantly being made without any special skill, knowledge, experience, or exertion; and it will not be out of place here to refer to some of the causes which have rendered such exceptional cases comparatively frequent and conspicuous, especially during the latter part of the present century.

The recompense for what may be considered equal services,

tends to an equality, but rarely attains it, even approximately, except by repeated fluctuations, above or below their real value. This is especially the case during a period of great changes, such as we have seen within the present century—whole systems of industry have been swept away, and replaced by better and more productive organizations. Innumerable experiments of all kinds have been tried; many have succeeded, and their results, in their original or in an improved form, remain with us—many have failed and been forgotten. There have been, and are, great differences in wages, which can in no degree whatever be referred to the comparative prudence or intelligence of the workmen. The differences in the profits of those who, according to the conditions under which they labour, bear the first brunt of the struggle, are necessarily far greater. With the increase not only of population, but of the "effective" demand for consumption by the people at large, rents have been increased, not only for land under tillage, but for building sites in the immediate neighbourhood of thriving centres of industry. To the true nature of such rents, we need not again refer; though not a cause, they are a sign, of general prosperity. While they augment the wealth, generally, but not invariably, of the rich, they do not increase the necessary and inevitable cost of production of those commodities which are required by the poor. It is not, however, to this kind of gain that we allude, though there have been great fluctuations in town if not in country rents, but more especially to the accidental profits which have fallen to those engaged in different branches of industrial enterprise.

Let us first take the case of cotton manufacturers, who, until within the last two years, were no doubt, on the average (though not uninterruptedly), making exceptionally large gains The first organizers of this magnificent branch of industry most fairly earned more than an ordinary recompense; but it

is absurd to suppose that these "profits" were either obtained or maintained by any monopoly: the cause was simply that men could not, and did not, believe in the enormous increase in the "effective demand" for, and consumption of, cotton goods throughout the world. Many years ago, intelligent and generally well-informed men shook their heads at the enormous increase in mills, and predicted an over supply and the ruin of the builders. Another risk incurred, which has always had some weight in deterring competition, was that, practically speaking, their prosperity depended on the supply of cotton from one source, namely the Southern States of America. Of course when a man had "fixed" his capital in a mill, he had, so to speak, accepted the risk, and would be disposed to forget it, though others, free to dispose of their resources at their own discretion, would give full weight to this element of uncertainty in the undertaking. Ruinous losses have in fact, from this very cause, at last overtaken the cotton manufacturing interest generally, though the disaster has appeared in a somewhat different form from that formerly apprehended. How far it was the special duty of master manufacturers to provide against such contingencies is a question which will arise when we are treating further of competition.

Another and even more exceptional instance of accidental profit may be cited. Previous to the discovery of gold in Australia, a number of men called "Squatters." had acquired, for a very trifling consideration, the right to the pasturage over large tracts of land for a certain number of years. They became sheep farmers on a large scale, but many of them in the rudest and most imperfect manner. Neither the judgment, the intelligence, nor the skill exercised were, as a rule, by any means of a high order, and sheep had hardly any market value at all; it was at one time a question whether they could be killed and boiled down for their tallow, so as to

yield a scanty profit. Suddenly there was the rush of gold-seekers into the colony. Sheep became worth 10*s.* or 20*s.* or even 30*s.* a head, and the owners of large, and hitherto worthless, flocks suddenly became possessors of large fortunes, just at a time when the rise in the price of almost all property was limited only by the quantity of capital which was accumulating, at a wholly unprecedented rate, among a very small community. These men come home, and "the enormous profits made in Australia" are a source of some wonder, and, it may be, no little envy. But no independent men need grudge them their good fortune. Some men have riches thrust upon them, but their gains have not impoverished any one, though it is absurd to suppose that they have done anything to *earn* so disproportionate a profit.

These are only cases on a large scale of what is constantly going on upon a small one. Risks of a certain kind are so inseparable from almost all commercial enterprises, that such accidents form a part of the common chances of most branches of trade. Thus a very bad harvest very greatly enriches the holders and importers, for the time being, of grain of all kinds. It is unhappily generally the case that some men are recklessly overtrading, far beyond their means of meeting the losses which would arise, even from any ordinary and probable decline in market value. Generally speaking, either a rise or a fall in prices is a probable contingency, and it is very difficult to say on which side the balance of probability lies. But in the event referred to, such rash speculators, who as a rule go to ruin sooner or later, become suddenly and most undeservedly enriched. The greater the recklessness, the greater the gain. The same results may arise from great fluctuations, owing to such unforeseen causes, in the prices of any commodity. Very strange specimens of commercial intelligence are sometimes thus thrown up among the wealthy classes, and perhaps get, even if they do not assume, the credit of very

superior sagacity, which is by no means borne out by their general character. They are like flies in amber. The men though "rich" are certainly not of "rare" mental qualifications, and it is a source of wonder how they ever got into the position they occupy.

The capricious changes of fashion also distribute profits or losses in a strangely arbitrary manner. In short, whenever enterprises answer beyond expectation, profits are large; whenever the expectation of success exceeds the results actually obtained, heavy losses accrue to those immediately concerned, though the schemes themselves may be of very nearly equal merit, and ultimately meet with very much the same amount of real success. The effect on popular opinion arises not only from most men being naturally more prone to talk of their gains than their losses, but from the fact that such very exceptional success often places men in a new class, where they are conspicuous, if only from being strangers in it. Little is heard generally of losses and reverses, except, indeed, in those cases where they have been associated with notorious frauds or "irregularities." Those who fail from misfortune, or even from errors which are considered venial, may still enjoy and deserve the remuneration which can be earned by employing or superintending the employment of other men's capital—a work for which their dearly-bought experience may especially qualify them.

That such exceptional gains as those to which we have alluded should be the object of expectation or desire is mere folly. Their incidence, at all events as regards individuals, is entirely anomalous, and they may be dismissed altogether from the mind when considering our present question.

Before proceeding to consider further the nature of the services rendered by those who work for "profits," or receive

wages either for management, or superintendence, or for manual industry, we must glance briefly at the great question of the division of labour—at the means and conditions by which, and under which, the work of the country is carried on.

It is needless to refer to such instances as the number of hands employed in making a pin, or a child's toy, or to attempt to recapitulate the numerous interests affected more or less directly, in so minute a degree as to be scarcely appreciable, even in theory, by our consumption of soap, or candles, or of the articles conventionally held necessary for the furnishing of a moderate repast. These more obvious examples have been frequently dilated upon, and illustrate, rather the practical subdivisions, than the generic divisions, of labour. They indicate, for they are only possible in, a highly advanced stage of material civilization. They strike the observer with a reasonable surprise, that the community can sustain the number of men that are requisite for so minute and perfect a subdivision of labour, by employing them for the production of things in themselves so trivial, and which satisfy so very small a portion of its daily needs. They imply also some degree of moral advancement—some, though it may yet be a very imperfect degree, of that mutual trust and confidence which is the basis of all civilization. The benefit of such organizations consists in this, that labour is more effectively applied, and the true aggregate profit—the excess of production over expenditure—must be increased, but the working of this law is constantly lost sight of, owing to a confusion of ideas regarding value in exchange and production. Yet the principle is sufficiently simple.

The best arrangements practicable for making any article, may be attained by, say, 100 men working together; but unless a market can be found for the whole of their production, a less perfect and effective plan must be adopted, and we might very reasonably suppose that sixty men would be required to obtain

half the results of the hundred. The cost of production is, therefore, by so much greater, as compared with the return. One of the chief advantages which are derived from the freedom of trade from all artificial, and, as far as possible by improved means of communication, from natural obstructions also, is that fuller scope is given for more complete organizations of labour.

Those who take narrow and partial views of economic subjects, never seem to grasp the true bearings of the question, and associating cheapness with low wages, decry especially the competition of organized with unorganized labour, as if the real wants of men were not satisfied by the actual products of labour, without reference to their value in exchange, or still less to their casual price in money. But let us look for a moment to the general working of such changes. Let us suppose that sixty men can produce, say, 600 pieces of cloth, which they can afford to sell at 20*s*. If by better organization, or by the aid of inventions, the same number of men can produce 750 pieces, they can, no doubt, undersell their competitors, as they can afford to charge only 16*s*. Hardship, no doubt, may be experienced, which will be most grievously aggravated, if we suppose the first sixty to be debarred by the tyranny of any trade custom, from sharing freely in the advantages of the new methods of working, or from taking their labour elsewhere. But carry out the system fully, and let the effective power of production be generally increased in the same proportion, by one-fourth, and the whole community must inevitably benefit. Commodities will be actually "cheaper." Either they will have more commodities for the same labour, or the same amount of commodities for a less quantity of labour. If ten hours of daily toil were required on the first plan, to make 600 pieces, the improved system will enable the same number of men either to produce 750 pieces by ten hours' work, or 600 by eight hours' work, at their

option. Measured in commodities which men desire, the aggregate production will be increased by one-fourth, or two hours of time and energy will be saved, which they will be enabled to devote to other purposes, but whether for good or evil depends on yet higher considerations. But by no other means than by the general increase of production can the aggregate profit or surplus, which can be divided among all workers, be augmented.

But it is to the more general divisions of labour to which we would more specially refer. Let us take, for example, the great work of modern times—the construction of railways. We see stalwart navvies digging deep cuttings, and raising high embankments; quick-handed artificers rearing the stately pile of a noble viaduct. The sweat of honest labour—the most merciful curse of God—is on their brow, and a great work is growing up under their hands. Are we, then, to thank these men only for our railway? Not so: but for the work of supervision by builders and contractors, that which is now all order, would be the direst and most useless confusion. The bricklayer will lay bricks, and the navvy will cut away or pile up earth, as he is ordered to do, but whether a bridge or a ruin be the result, a level road over which the loaded train may run, or merely earth thrown about and misplaced, is no direct concern of theirs; they earn their wages for certain definite manual work done. They are responsible for doing this particular work according to instructions, but are not expected, and, as a rule, are not able, to judge of the utility or necessity of the orders which they receive. Nor is it alone to builders and contractors that we owe the completion of the work. The engineer has supplied them with plans and specifications—the genius oftentimes which has overcome the most stupendous obstacles calls for little, or no more, than the ordinary labour of those under whose immediate control the work in detail is carried

out. Many of the complex arrangements of labour, the just subordination of detail, and the harmonizing of all parts to one grand whole, are achieved in the brain of the engineer.

We see the road complete, carried over mighty rivers and treacherous quagmires, and greatly increasing the welfare and prosperity of the thousands in the thriving towns near its route. But do we owe all to the engineer? As such, he would have employed equal skill, energy, resource, and have expended equal labour, on a road to join an impoverished town, with a useless harbour choked with the sands borne by a resistless current of the ocean; or have united together, at great outlay of labour, two districts having really very little natural want of connexion with each other. Instances of talent of a very high order, thus misapplied, are by no means uncommon.

Whose judgment ruled that this labour, from the lowest manual drudgery to the highest scientific skill, should be engaged in the direction in which it was employed? And here we shall find it impossible to follow out our question specifically. But it is, nevertheless, obvious that this direction of forces, of power or resources, is the most important function of all; but it is often the most difficult to identify with individuals. Enterprises differ, indeed, very much in their nature in this respect. In some the thing required is obvious—the only difficulty is to find out by what means the ends desired by all can be best attained; in others the execution is easy, and can be entrusted to the most ordinary capacities: but the practical utility of the enterprise itself, is a question on which it may be very difficult to decide beforehand. These are problems to be solved by different orders of mind. Invention and fertility of resource are especially required for the former: judgment and the power of correct generalization for the latter.

To draw instances again from railway undertakings—the

desirability of uniting the great capital of the cotton manufacturing districts with its natural port, by the most direct route, was obvious to all. There was no question in this case as to the direction in which labour should be applied, although grave doubts were entertained as to the capacity of the engineer to carry out his plans. How to get over Chat Moss was the great difficulty which was conquered by the original genius of Stephenson. But subsequently, when the resources of engineering skill were more accurately known, the really knotty question was the direction in which they should be applied: whether in forming competing lines, or direct lines, or circuitous routes to take in the greatest number of towns. From the nature of such questions, experience could only be a partial guide—no two cases would be exactly alike, and an opinion could only be formed by a rough induction from some certain, but many uncertain and fluctuating, data. Judgment, or what is often called "common sense," rather than science, must play the principal part in such cases.

The want of this former quality was the cause of the incalculable waste with which the really magnificent railway undertakings of the country were executed. Not only were many of the original schemes ill-devised, but the means adopted for carrying them out were badly adapted to the ends desired. Labour of all kinds was employed both out of time and out of place, and it is impossible to say where the function of directing it lay, when the qualifications for direction were so frequently conspicuous only from their absence. But setting aside the irregularities and even frauds arising from the mania for gambling, which overran the true spirit of enterprise in this direction, there is something to be said even for those who were concerned in promoting works at a cost, which has since been proved to be far in excess of their value. How few men can form any opinion on any subject involving new elements: mostly we go on from

precedent to precedent, and prudent men regard any step beyond this as an experiment, and know very well that the success of all experiments is more or less doubtful.

Logical deductions from true scientific principles are positive, and as far as any subject has been reduced to a science, error can only arise from the want of due care or skill in their application; but in many of the questions of life—and it is the same in the highest statesmanship as in the direction of common-place affairs—many of the data on which a judgment has to be formed, are shifting and uncertain in the last degree; some more immediately from the want of acquaintance with things knowable (if we may be allowed the term), but not known at the time when action has to be taken; others, as, for instance, such as depend on the future course of events, as being essentially beyond human ken.

The mind, therefore, which is best suited to the management of affairs, while steadily holding to all deductions from certain data which bear on the subject in hand, must be able to embrace in its generalizations, all the inferences to be drawn from those which are shifting or uncertain, modifying its conclusions as changes arise, or better knowledge is obtained in the latter, without disturbing the former: and the plans of men thus engaged must be devised so as to be fixed as regards the former, but capable to the utmost practical extent of re-adaptation as regards the latter. The faculties must be "*mobilized*," applied to reasoning inductively or deductively, and often to the irksome drudgery of sifting out facts, testing information, or the still more arduous task of judging from conflicting evidence, on which side the balance of probability falls. The satisfaction of resting on certainty is not for them. Decision, too, must be prompt, for the tide of human affairs rolls on unceasingly, and often the greatest error of all is to pause or to do nothing. Not that such men will be precipitate, or prone to act without a necessity, on any matter

without acquiring all the knowledge that can be obtained upon it. Forethought is so essential to those who would take the lead in affairs, that they will rarely be characterized as men who *wait*. Waiters and doubters will be set against the hasty and reckless. The true leaders of men, to patience, experience, and intellectual capacity, must add the courage and resolution which nerves them to undertake the necessary risks of action in doubtful emergencies.

We have been led somewhat into a digression, from a desire to convey some idea of the character and functions of a class of men difficult to describe. Although they may neither build cities, nor construct railways, nor spin cotton—though they may neither be lawgivers, nor men of science, nor orators, they yet wield a power more easily understood than described. Things about them go on well; in spite of misfortune or even error, they do not fall into confusion. The faculty in minds of high order is known as administrative capacity: in lower degree, as the aptitude for management. The difference, vast as it is, between one "*Capax imperii*," and one fittingly placed as chairman of a vestry is, we believe, far less in kind than in degree.

Ordinary men of this type are known as "men of business," whether in political affairs, or commerce, or at country meetings. Regarded as productive labourers, the more enterprising and adventurous are in the advanced guard, in the onward march of material progress: following close on the devious and uncertain track of the first pioneers, they are constantly ready to reduce theory to practice, to bring the schemes of more speculative minds to the test of actual experiment: to attempt, with varied success, the re-adjustment of existing organizations, either for the use of newly-discovered means or to the accomplishment of ends not previously attained. The more cautious are found still engaged, at less risk, and with more certainty, in the special task of adapting practical

means to definite ends; but work in a sphere in which precedent and experience afford more ample data for the guidance of the judgment. The design of both is to adapt supply to "effective demand:" to produce or procure objects desired by others, at a value "in exchange" at which they are both able and willing to take them. It is almost impossible to bring the work of the former, and to a great extent that of the latter also, to any practical test which can be generally applied. Of the many "wise saws and modern instances" framed for men's practical guidance in the conduct of affairs, the difficulty is to choose the right one, at the moment when a course of action has to be decided upon.

All, indeed, who guide and direct the application of labour are engaged in adapting means to definite ends—but in a different, and from our present point of view, a narrower sense; thus, engineers bring mechanical agencies to bear to overcome mechanical difficulties. Their immediate question is, will the resources of our science enable us to carry out the work designed? The considerations of comparative cost and value do not specially or necessarily concern them. As several instances prove, there is no reason why an engineer should *not* join practical sagacity regarding the outlay which can be afforded in carrying out his plans, with great professional skill; but, as railway shareholders and others know well to their cost, even the highest order of this kind of skill affords no security against the most reckless and improvident expenditure. Receivers of wages and salaries generally are rather over prone to sympathize with extravagance of this magnificent character; if they realized the fact that the practical result was one day's pay for two days' work, "mere questions of money" would be regarded as of more importance.

To revert to the question of the "remuneration of services," and to take the illustrations just cited as examples. The control of expenditure is evidently not the special function of the

engineer, but although there are not any means of directly ascertaining the value of his scientific acquirements, still these are referable in some degree to positive data which are or can be exactly known to others; while ordinary work of this nature, such as surveying, for instance, can be submitted to definite tests. A certain quantity of labour is to be done, of a certain average quality. Such services therefore are generally remunerated by wages or salaries. Both the *quantity* and *quality* of the work can be estimated with some degree of accuracy, and paid for accordingly.

But when we leave scientific data altogether, and have to reduce exact theory to practice by all kinds of imperfect and, it may be, untried methods, there is no sort of test, except that of actual experiment, which can be applied; while the conditions under which work of this kind has to be carried on, are so constantly varying, that one experiment affords only very imperfect guidance for another, even to those immediately engaged in conducting them. To some, also, the responsibility of deciding on imperfect or uncertain data is an intolerable incubus; and there are many men of acute and subtle minds to whom, under such circumstances, it would be far more easy to find ten conclusive reasons against any course of action, than to adopt promptly the one obviously the most likely to secure the results desired: their work, though most scrupulously performed, and not in contravention of any known rule, will probably be ruinously expensive. It is notorious that when "things go wrong," and "get into confusion," it is rarely possible to decide who is to blame, and it is assuredly by no means safe to acquit the man who makes out the best case for himself. If work of this nature were under the management of one paid by wages (or salary), there would be, practically speaking, no test whatever by which either his efficiency or his integrity could be ascertained. Excuses could always readily be found by the unscrupulous for ill success or excessive

expenditure and plausible talking would very often carry the day against good working. On the other hand, any system of checks and supervision would serve only to impede and embarrass those who had better be left free to exercise their own judgment and undivided energies, in dealing with such complicated and shifting details—who, while inevitably falling into mistakes, would gain experience from them, and as far as possible, faithfully and intelligently organize, by degrees, the resources under their control.

By far the best way of securing both the liberty of individual action and the protection of general interests, is found to be by the system of contracts. Responsible men undertake the whole risks of carrying out specific designs, on certain definite terms. It is essential that the stipulations of a contract should be agreed and determined upon by men of competent knowledge and experience on either side. The nature, extent, and quality of the work to be done must be clearly stated on the one hand—the amount and mode of payment on the other. Imperfect work and changes of design equally involve waste. Contractors bear the charge of the former, but not of the latter. If the cost of production falls below the stipulated price, they gain their profit; in the reverse case they alone bear the loss. There is, of course, in all cases the *expectation* of profit, as the inducement to undertake the labour and risk; but in a country abounding in skill, energy, and capital, there will always be sufficient competition to prevent any undue margin being taken, out of which both large *and* certain gains can be secured, although it is not to be assumed that because competition thus fairly and beneficially operates in one class or country, it will necessarily do so in another. Large contractors may also diminish their care and responsibility, in some measure, by letting out portions of their work to sub-contractors; but by so doing are not in any way absolved from their original

engagements. It is simply the application of the same principle, more in detail, adopted as the best means of securing the good and faithful work.

Although all such work can only be carried on by the constant expenditure of capital, it cannot be said that the profits derived from it accrue to capitalists: as such, they receive "interest" only, or at most, some extra charge for indirect risk incurred. There are, no doubt, some very wealthy contractors, many have made their own fortunes from very small beginnings, but they have earned the remuneration they have obtained by enterprise and "head-work," as employers of capital and organizers of labour.

Thus, to revert once more to railway expenditure, direct and indirect: not only manual labourers, but engineers, managers, secretaries, clerks, and others, are paid by "wages," because not only the work to be done, but the means and method to be used for doing it, can be defined with more or less precision. Contractors, both great and small, have to render services equally, or even more definite, but work —in their own way, at their own risk, and by means often very imperfectly understood, even by themselves, when the undertakings in which they are engaged are of a new and untried character—for the expectation of profits, which must, of course, on the average yield them a remuneration proportionate to their services. There yet remains to notice the shareholders, forming the body corporate of the company. What services have they rendered, and what recompense are they entitled to expect? The engineers have brought to bear their science; the lawyers have done their part. Contractors have assumed all the risk of carrying out the execution of the design. The general control has been exercised by the directors and the staff of managers in various grades. It is hardly reasonable that shareholders of railway, or any other similar companies, should expect large average gains, when

their share of the work is so very general and limited. Yet something more than the "remuneration of abstinence" and bare compensation for risk is certainly earned, even by those who take no ostensible part in the conduct of such concerns. There must be also some compensation for the inconveniences of uncertainty incurred by those who so invest their capital. *Cæteris paribus,* a certain will always be preferred to an uncertain income; it can be more economically appropriated, and more of what men use and enjoy thus obtained for it. And beyond this, it would be quite contrary to sound reason to suppose that even the very general powers of control and supervision retained by shareholders, may not be exercised with more or less discretion, and profits increased, diminished, or turned into losses by the effects of their own decisions. If, for instance, in a time of great and exceptional prosperity, they divide and spend all their profits, and increase expenditure, forgetting that they have acquired no absolute and exclusive permanent right to more than the average rate of gain, and that competition can and ought to arise on behalf of the still wider interests of the public at large, they will reap their just requital in future difficulty and embarrassment. If, on the other hand, they recognise the broad and paramount principle that all, whether individuals or sections, work for the general benefit of the community, receiving from them a recompense according to the recognised value of the services rendered, timely means will be taken fully and fairly to meet, but not to evade or decry—at all events, on any but public grounds—the rivalry which they will naturally have to encounter. All the advantages of superior experience and established organization justly belonging to them, may be used, fairly and openly, against their competitors. The increased gains which accrue to service of more than ordinary efficiency, are no loss to the public.

The nature of the gains fairly earned by *speculators,* which

are often popularly misunderstood, require a brief notice. Their business is to watch the variations of demand and supply, and be ready to abate extreme fluctuations of price above or below the real value of property or commodities. When prices are too low they mitigate the pressure on sellers by buying, or buy in anticipation of an increased demand, and both stimulate supply and mitigate the pressure on buyers, by selling. The speculator's time for making money is thus very generally when his neighbours are losing it; but he can be said to make a profit out of their misfortunes, only in the same sense that a doctor might be charged with making a gain out of the sickness of his patients. They, of course, work for their own profit, but when their operations are judicious, they do useful service to the community. We refer, of course, to dealings between independent men, excluding all idea either of favour or oppression, and assume that they do not artificially create the "glut" or scarcity by which they benefit. But speculations of this kind are out of date: the growth and freedom of trade, and improved facilities of communication, have simply rendered it impossible to buy up the stock of any article of consumption and resell it at an artificial profit. For the transactions of a speculator always work against himself: by buying he raises, and by selling depresses prices, so that an attempt to force an operation, *against* the natural law of demand and supply, is almost sure to fail in the long run.

Producers, however, will often very unfairly impute rapacity to those who will only buy from them at prices, which, they well know, are under the necessary cost of production, forgetting that value depends on the adaptation, not only of the *quality*, but of the *quantity*, of supply to demand. One who, for instance, looks only to his own trade as a hatter, and prides himself, it may be, on increasing the amount of good work which he can turn out, finds it very hard to have to sell

part of his stock at a loss, and may naturally, but not reasonably, infer that he is wronged in some way. The fact probably is, that the aggregate production is excessive, and he has contributed fully his share to the excess; but he thinks that if he could only hold out long enough, he might both save his profit and keep on his work too. He may be right as regards himself alone; but if *all* in his trade were to do the same, the waste of labour in supplying more hats than were wanted would continue. Not only must production be decreased, but the excess of stock has to be got rid of in some way, before the cost to makers, and the value to wearers of the whole quantity made, can be again equalized. A speculator who has to work under these unfavourable conditions, cannot of course afford to give the ordinary cost price of hats; what is to be considered a "fair and reasonable" reduction is a matter of opinion, on which the buyer is quite as likely to judge fairly and reasonably as the seller. Prices, however, are no doubt governed very much by mere opinion, and an aptitude for discerning the course of current events is a very useful faculty for a speculator, but even in this case the tendency of his operations, if judiciously made, is to lessen, not to aggravate, fluctuations. Speculations on mere excitement are both mischievous and hazardous, and, by misrepresentations of any kind, to create, in order to take pecuniary advantage of, such excitement, is nothing better than swindling.

The subject of *risk* also may claim some attention. We need not enter upon the recondite question of whether all risks and chances are subject to the operation of exact laws which may hereafter be discovered and defined by the exercise of human intelligence. Our present actual knowledge for the time being must necessarily be *our* practical measure of certainty, but even the partial elucidation of the laws of average yet accomplished, has done much for the diminution

of waste, and the mitigation of human suffering. Nothing is more precarious than life, yet its average duration has been ascertained with a very near approach to scientific accuracy: it is needless to dilate on the advantages of the system of life insurance thus rendered possible. The dangers and perils of the sea are more empirically estimated, and an equalization of risk, highly beneficial to the efficiency of our commercial economy, has been attained, in the advantages of which all consumers largely participate. It is to the nature and remuneration of the services employed in utilizing this branch of knowledge that we desire to refer. All premiums or commissions acquired for guaranteeing risks are earned on the same general principles: we refer to the cases best known for the purpose of exemplification.

Taking the "expectation of life," and the premiums required by insurance offices, it will be seen that the aggregate amount so received falls short of the sums which are paid on life policies; the difference is made up out of the interest obtained by such offices for the numerous small sums accumulating in their hands. Those who pay premiums, therefore, receive the "remuneration" for their "abstinence," less only the "wages" paid for the care, skill, and judgment exercised in investing and taking care of this capital, personal services chiefly rendered to policy-holders in facilitating the transaction of their business, and the ultimate balance of profits divided among those shareholders who assume and guarantee with their capital all the risks of the undertaking. In some companies *all* profits are divided among the insured.

The case with marine insurance is somewhat different, the transactions are far shorter, and interest forms a comparatively unimportant item in them; and, moreover, those who insure against such risks very rarely require the assistance of others to employ their capital. Engagements of this kind have sometimes very inaccurately been considered as

a kind of wager. The "odds," it is supposed, are, say, twenty to one against loss. The insured agrees to pay 5*l.*: the "underwriter" takes the risk of having to pay 100*l.* But the "odds" are avowedly in favour of the takers; a numerous body of men—many of the underwriters at "Lloyd's," and other places, for example—get their livelihood merely by the balance of profits from such transactions. What is the service rendered for this remuneration? and how is it that merchants, especially, who are supposed to have their resources generally available to meet their engagements, habitually pay this loss, as on this theory it would appear to be, to underwriters? The explanation is easy, if we bear in mind that merchants carry on their operations for the most part by means of credit. They acquire their "profits" not merely or chiefly on their own capital, but by employing productively the capital of others. Any means, therefore, by which the greatest and most uncontrollable risks of trading can be eliminated from their operations, greatly facilitates this division of labour, and enables men of comparatively small means prudently to compete with their more wealthy rivals; and the ultimate result is, that the interests of the public are better and more economically served. Underwriters may be said to get their profit by selling *security*, attained chiefly by the generalization—the judicious division and distribution—of numerous risks. Anything, therefore, which lessens the completeness of the security, essentially diminishes the value and utility of the service rendered; and decisions of law, which, on the merits of singular and doubtful instances, throw any portion of risk on the insured rather than on the insurers, are contrary to the public interest—cases of fraud, or irregularities likely to give cover to fraud, being, of course, excepted. Premiums will quickly be adjusted to the risks actually incurred, so that no advantage will accrue to the one side rather than to the other.

On the immediate point of hardship there is this to be said: that the insured only pay a premium in excess of the real risk, because, in addition to their direct loss, they would suffer indirectly from the want of the sum so secured. An "underwriter," however, only makes himself liable for such amounts as he can afford to make good without any such indirect inconveniences.

The chief point, however, which we wish to bring forward is, that the remuneration thus earned is entirely owing to the assistance given, although remotely and indirectly, to productive labour.

Banking enterprises afford another patent example of the means by which profits are earned and services remunerated. Taking the four leading joint-stock banks in London,* we find their aggregate capital, including their reserve funds, amounts to about 3½ millions sterling. The aggregate of deposits left with them by their various customers, and on which interest is allowed, amounts to no less a sum than about 45 millions. The capital employed is more than twelve times as large as the capital owned by them. The constitution of all is similar. The executive control, embracing higher and more varied duties than could be described under the name of "superintendence," is vested in a "manager," directly responsible to a board of directors, elected by the general body of shareholders. The *nature* of the business which they may undertake is set forth by deed in due legal form, restricting those who exercise the power of direction in any way, from misapplying the common resources of the company to purposes of a kind not known to or contemplated by the shareholders, and thus involving them, without their consent, in a class of risks in which they do not desire to be interested.

* The London Joint Stock Bank, the London and Westminster Bank, the Union Bank, and the London and County Bank.

The duties of directors, who must be shareholders, and thus have a direct interest in the prosperity of the concern, though by no means nominal, but on the contrary of a very important character, are not such as are incompatible with their carrying on business of their own as merchants, manufacturers, lawyers or otherwise. They should bring a great and varied amount of knowledge, experience, and influence to bear on the affairs of the bank, over which they exercise a general control, and the power of decision on all doubtful questions which may arise. Their remuneration must be considered to a great extent as honorary, but as far as it is pecuniary it is paid by fees very much of the nature of "wages." The manager, on the contrary, must confine himself to the business of the bank,* receiving a salary (strictly speaking "wages"), which must of course be considered equivalent to the average gains acquired by men exercising similar care, industry, and talents on their own behoof;—otherwise, as no moral obligation exists binding any class to work for the benefit of joint-stock companies, honourable and competent men could not be found to occupy, or at all events to remain in, such a position. Speaking in general terms, we might almost say the entire work of these institutions is borne by those who are remunerated by "wages," while very large profits have accrued to those who have done nothing to earn more than a trifling advance on the ordinary rate of interest, or "remuneration of abstinence," upon capital. The case as regards original shareholders is entirely exceptional. Riches have fallen to them from causes which they could in no way control, and at best very imperfectly foresee. Those now purchasing shares in these banks, would pay a premium of about 100 to 300 per cent., or £200 to £400 for £100 originally subscribed, and expect only the remuneration which may be considered as

* Attention to the affairs of the Bank is, in short, the "vocation" of the manager, and an avocation of the directors.

fairly earned, on the grounds to which we have before alluded. It can be no cause for special congratulation that profits have fallen to those who have not earned them by any kind of labour. The general wealth of the country is not increased—but it is not thereby diminished, and there is certainly no reason to regret that gain, so accruing, should have fallen to many, rather than to few, possessors of capital. Nor can it be said that the managers have any *better* right than the shareholders to participate in an enhanced rate of profits owing entirely to fortuitous circumstances. On the contrary, the latter did, and the former did not, undertake a certain amount of risk in the first instance.

Opinions differ among high authorities, as to whether the joint-stock system is preferable to private enterprise for the conduct of banking. Thus much, we think, is certain; that if this branch of business had not been reduced to an art—or, as some will have it, a science—governed by known and comparatively positive rules, it would never have answered at all to have entrusted the management to men only partially and indirectly concerned in the risks of the undertaking. The question involves many other considerations than those of personal integrity, though that, of course, is above all things essential. We must not lose sight of the fact, that capital lent is consumed, and can be replaced only by the well-directed efforts of labour. When treating of capital and credit, we endeavoured to convey some idea of the division of labour, by means of which mercantile business is carried on, showing, incidentally, that bankers (or banks) did not directly undertake the conduct of mercantile enterprises. Those who cope with difficulties, in detail, must exercise a particular supervision, and can do so only within comparatively narrow limits: those who, so to speak, generalize the chances of trade, and thus reduce their risks, may largely increase the amount of their operations; and their work, moreover, can be more definitely,

although still empirically, systematized. But the superiority often assumed of the joint-stock principle, as applied to banking, remains to be proved.

In the instances cited, and in many others, success has hitherto been secured by excellent management. In several other notorious cases, institutions constituted in precisely similar form have most lamentably failed, although the general external conditions affecting banking interests have been far more favourable than we have any reason to expect they will be upon the average of years, as the extreme measure of success achieved by all really well-conducted concerns sufficiently indicates.

In times of change, doubt, and uncertainty, there are great advantages in having the whole power and the responsibility of control centred in the few best qualified to act with the requisite judgment and decision. The only real question is, which method is the most efficient, and whether, by the one or the other, or by both working in fair competition, the general interests of the public will be best served. Our own conviction sides with those who place little reliance on any system of checks imposed by authority. We doubt much whether, on the whole, they do not present more facilities than difficulties to those who designedly apply their power of ingenuity to the commission of fraud; and they can never be supposed to prevent losses arising from errors of judgment, or infirmity of purpose. The notorious incapacity of many public departments—happily remedied of late years, in great measure, by the resort on the part of the Government to competition between their own *employés* and private contractors—was, we believe, chiefly owing to the fact that every new reformer taxed his powers of invention in devising a new check; until the whole office system became so cumbrous and complicated, that any intelligent and effectual supervision became utterly impossible; and public servants were, for the most part, em-

ployed, not in doing the public work, but in checking and counter-checking each other. This, no doubt, is an exaggerated form of abuse; but when once the system of checking in detail is entered upon, it is most difficult to know where to stop. Every newly-devised fraud may be cited as a definite and palpable reason for imposing the newly-discovered check. The alternative is a more complete division of labour,—competent persons becoming responsible for the results attained by them; and using such checks, not merely against fraud, but against *all* waste and misapplication of labour, as can be exercised only by those intimately and practically acquainted with the means required for the attainment of the ends desired.

From this point of view, all work done for "profits" is of the nature of contract work. It cannot generally so be termed, only because there is often no obligation on the part of the public to remunerate services at all, if the results attained are not immediately useful to it. Traders of all kinds, therefore, take the risk of the markets in which they have to sell, whatever it may be that they have to offer; in short, as regards the public, *all* the risks, from first to last, of that section of the work of production or distribution which they undertake to perform. And, as those who specially give their time and attention to any one branch of business are assuredly likely to succeed better than others only casually and generally acquainted with it, in averting waste and loss, by which the common stock of the country is diminished, this latter system, fully and fairly carried out, seems the most likely to conduce to the general interest of the community, especially as applied to all those enterprises essentially involving risks of that kind which cannot be estimated with any approach to scientific accuracy, but which must be averted by the combined exercise of vigilance, experience, and judgment.

In some cases, the joint-stock and contract systems have worked very well together, as, for instance, in the case of railways. The risks of production are undertaken, speaking generally, by the few who control and direct labour. The risks, as to the value of that which is produced, are borne by the many who supply capital. The extension of works of this kind, not only in Europe and America, but in our most distant dependencies, has also called forth a new order of men, who, under the unassuming name of contractors, have undertaken the chief responsibilities both of the construction and financial arrangement of schemes which, in times not long since gone by, would have taxed the resources of monarchs.

This we fully admit: that, as "business" of any kind can be reduced to rule, and worked with some approach to scientific accuracy, the joint-stock principle *can* be applied to it; and the uncertain element of profits as a mode of remunerating services may be, to a great extent, eliminated from it, without materially diminishing the efficiency of labour, on which the ultimate success of all such undertakings must depend.

Moreover, although we do not share in the sanguine expectations entertained by many, regarding the benefits to be derived to the public from the more extensive and general resort to the joint-stock partnership principle, we agree unreservedly with those who consider that no legal restrictions should be imposed on men associating themselves together, on any terms and conditions which they may deem most advisable for their own interests. But as complete personal responsibility has hitherto been the rule generally known, and that on which the public have been accustomed to rely for their security, any limitations of liability should be very clearly announced, and all protection withdrawn, should credit be obtained not only by actual concealment, but even by neglect to make known the true nature of such limitations.

Subject to these conditions, it appears to us in every way desirable that a limit should be legally set to the liability of the shareholders of such extended copartneries. The credit accorded to any associations of this kind should depend upon the amount of capital subscribed, the nature of the business in which it is avowedly employed, and the reputation for good management acquired by its conductors. That money should be lent on any other than these considerations, is an unmitigated evil, injurious alike to the fair trader and the greater part of the shareholders, who, as the creditors well know, cannot possibly be conversant with all that is done on their responsibility.

The principle of partnership is capable of great modification, but the most complete form is the association together of men having common interests, with the reciprocal power of acting for each other. Whatever may be the results, the act of one is the act of all, and all transactions are considered and recorded as effected by the copartnery, not by individual members. Nothing can be simpler than this relation until quarrels arise. Disputes then generally turn, not upon matters of mere arithmetical account, but upon the use or abuse of the discretionary power with which partners are mutually vested. Extreme recklessness, want of good faith, breach of articles of agreement, are easily imputed, and as readily denied: the last even may frequently be justified on the plea of apparent necessity, under peculiar and unforeseen circumstances. The right course of action, so difficult to perceive beforehand, often appears so plain and obvious after the event, that specious charges may be brought without the slightest foundation in truth. Indeed a subtle, but not uncommon, form of dishonesty is to throw on another the sole responsibility of action in cases of doubt and difficulty. If all goes right "nothing could have been simpler;" if otherwise, sinister motives, or a reckless want of forethought may be

imputed, though in truth it was *foresight* that was wanting alike to all. Allegations of wrong are quite as easily made by would-be wrong-doers, as by those really seeking justice. In short, partners in this sense must generally be taken "for better or for worse." The full advantages of partnership are only derived from that full trust which gives to the diverse action of several, the unity of purpose of one; but the bond of union is so essentially one of good faith and confidence, that no perfection of the law will ever render disputes between partners otherwise than the most difficult and perplexing cases that can well be brought before a judicial tribunal. Great caution should therefore be exercised in forming partnerships where the active co-operation of all the members of it is required. The fewer the numbers, compatible with efficiency in carrying out the objects desired, the better.

The case of joint-stock associations is very different. The shareholders have no executive power, and no complicated disputes are likely to arise except between them, as a body, and their directors. In cases of heavy loss or failure, an attempt by the former to throw pecuniary responsibility on the latter will rarely succeed. Ill success does not necessarily imply bad management, still less bad faith, and the law can only act on proof; not on suspicion, however strong the grounds of it may appear.

Other societies again are framed not for trading purposes at all, but simply to supply some want common to those who join their funds together—it may be a church, or a library, or a club. To attach unlimited personal liability to individuals in such associations is useless and unreasonable under any circumstances. Creditors are quite well able to judge of the responsibility of the managers or executive officer, and if they have reason to doubt it, may demand further security. The system of cash payments, however, is the best limit to liability.

There are purposes to which modifications of the partnership principle are peculiarly well adapted: to schemes especially of an avowedly speculative character, which it may be considered advisable to test practically by actual experiment on a larger scale than individuals are able or willing to afford: the appeal in such cases might fairly be made as much to public spirit as to the expectation of gain on the part of the subscribers.

By means of such associations, also, the public have an available remedy for bad service of any kind. Many branches of retail trade are in a most unsatisfactory condition. Competition, overborne and perverted by custom, seems to result in increasing the number of rivals in a field already too numerously, if not too well, occupied, rather than in really cheapening the price or improving the quality of commodities. The general adulteration of articles of food, and petty frauds of all kinds, have become an evil of great magnitude, pressing on both the rich and poor, especially on the latter. If such abuses cannot be otherwise amended; if retailers or any other class, obstruct rather than aid the work of distribution, consumers must take the matter into their own hands, and form companies with "limited liability," to secure good, or at least better, service under their own supervision.

The great consideration in forming partnerships of all kinds, should be that the nature of the work to be done, the responsibility, and the remuneration, should not only be laid down, but as far as possible associated together.

Our restrictive laws of partnership are often assigned as a reason why patentees have so much difficulty in getting capital to carry out useful inventions. They may be so to some extent, but the whole question of patents is beset with perplexities. The patent laws also are blamed—we do not in

any way undertake their defence—but the task imposed on the Patent Office is one of peculiar difficulty. Nothing is easier than to get up *ex parte* cases of hardship and delay, but is not the whole history of inventions one of claims keenly contested and often very evenly balanced? and if it be thus difficult to ascertain the fact of specific inventions, it is still more so to decide as to what ought, and what ought not, to constitute an infringement of patent-right. It is impossible to know to what extent applicants may be indebted to the researches or experiments of others, and it would be an incalculable advantage if any means could be devised by which not only inventors, but those who have directly aided invention, could be fairly and liberally remunerated, and the results of their labour made available for the benefit of the public. At present the profit of a patentee may be said to be the difference between the cost of his improved and the former comparatively imperfect methods of production, which he would lose were the supply fully adequate to the entire demand. The real utility of the invention must, therefore, be partially wasted. He may indeed grant licences for the use of his rights; but even this, though better than the preservation of a strict monopoly, is a great obstacle to improvements by others. The question is essentially a public one, for, where competition is free, producers are compelled to use the means best suited for production; and though they may of course be compensated for any necessary cost and risk incurred, they neither can nor ought to obtain permanently any increased net profits from the adoption of new inventions, which do not add to, but decrease, the quantity of labour, which is the ultimate measure of "value in exchange."

It is not to be assumed that because the most enterprising and successful manufacturers are generally foremost in adopting improvements, that they owe their success to them—for all, beyond the minimum of profits, are derived from the

difference in the results obtained by equal quantities of labour. Mechanical inventions, therefore, conduce to the benefit of the manufacturing interests only in the sense in which that interest is open to and for the advantage of the community at large; just as commercial treaties are for the extension of trade, not for the aggrandisement of traders. Changes, indeed, are very apt to involve individuals in heavy losses, especially on their "fixed" capital; but in the present day, those engaged in the higher branches of either commercial or manufacturing enterprise fully accept the conditions under which they earn their profits, and willingly take their chance with new competitors in an extended field of operations. The great risk to which those are liable who expend capital either on the purchase or working of patents is, that in the rapid course of invention one improvement may at any time be superseded by another, and their outlay thus rendered totally valueless. There is no doubt that when a patented invention succeeds, and is not quickly superseded, great profits are made out of it —which may fall to the buyer and not to the originator—but certain it is, that the purchase or working of patents is not considered by experienced men a safe or lucrative branch of business; and there seems no reason to anticipate that the hazard of it will, as a rule, be more readily incurred by extended partnerships than by individuals.

Nor can we omit all reference to the most important interests of agriculture. A division of labour is daily becoming more and more practicable, from which the greatest national advantages may be confidently anticipated. The present generation has seen the rise of a large and most important body of cultivators—men of science, enterprise, and capital, and, with that "credit" which capacity of a practical kind always commands, fully competent to undertake, at their own risk and charges, the entire control and management of land.

The rent hitherto paid by the farmer to the landlord has almost always been a mixed charge, partly for the difference in natural advantages derived from the soil, and partly for capital expended. Now, although there can be no more fitting occupation for a landlord than the management of his estate, it is not possible, even if it were desirable, to confine the ownership of land to those who had the requisite capacity, and both could and would devote sufficient of their time, thought, and resources to agricultural pursuits. It is notorious that the most fertile are not generally the best-cultivated soils: the landlord obtains his true rent from them, and can afford to dispense with the profits of stock altogether; or, if he have to borrow money to invest in improvements, will probably only involve himself in ultimate embarrassments. No one can, in fact, reasonably expect to acquire profits, beyond those sufficient to repay mere interest, except by the work of the brain or of the hand.

The best course, both for the public and private interests, is to divide true "rent"* from "profits of stock" altogether. Mere theorists have said that nothing is more easy: "grant long leases, and secure the tenant the return of all his outlay, and the thing is done." But the powers of the soil, though "natural and inherent," are by no means "indestructible," and a persistent course of bad and injudicious farming may waste and impoverish land to a most serious extent; or a tenant may so misapply money that no "value in exchange" whatever results from his expenditure; and a landlord cannot be expected to buy either useless or misplaced property. It has been quite as hard for liberal landlords to find good tenants, as for good tenants to find liberal landlords. But this difficulty is now disappearing; and though the right to true rent can only be acquired by purchase at a very high rate, all

* By "true rent" we mean "rent" in the sense in which the word is used in Political Economy. See Essay IV. p. 146, &c.

the "profits of stock" can be left to really trustworthy cultivators, to the great increase of the production of the country, and with actual advantage, moreover, to the landlord, for even the true rent does not fully accrue on badly-managed estates. The interests of landlord and tenant may more naturally be very closely associated together, and the principle of partnership seems peculiarly adapted to many of the conditions under which cultivation can now be carried on: due provision being made at the commencement of any mutual agreement, for the valuation, division, or taking over of the common stock at its termination. Any amendments in the letter or practice of the law, calculated to facilitate such arrangements, will conduce most directly towards the development of our national resources.

A few words may serve to correct a strange, but not uncommon, misapprehension regarding profits. It is sometimes supposed, that because gains of 10 or 20 or more per cent. are frequently spoken of, any one possessing the requisite amount of craft, skill, influence, and information could obtain a like return, either for his own or borrowed capital. Let us revert to the case of the joint-stock banks, to which we have before alluded, to show how such profits are really earned. They consist of a very small percentage of remuneration acquired for the management of a very large amount of the funds of others, in some such way as this, taking as a basis the figures just given; say—

Average gain per annum on deposits	£45,000,000,	at 1 per cent.	£450,000	
Ordinary interest on capital and reserve	3,500,000	„ 4 „	140,000	
				£590,000.

These rates, be it noted, are not on single transactions, but represent the aggregate earnings of a twelvemonth. The

shareholders' capital, however, on which the dividend is paid, is actually within 3,000,000*l.*—and the dividend thus shown is nearly 20 per cent. on *that* amount—or if 10*s.* or ½ per cent. only were earned on deposits, a dividend of rather more than 12 per cent. could be afforded. These rates of gain are assumed arbitrarily, without any reference whatever to the actual business done by the banks in question. Charges incurred, or commissions earned, are not considered on either hand. The sole object of the calculation given is to show the nature of their resources, and to how large an extent the gain acquired is in reality the remuneration of "management." That the large profits obtained are a fair object for competition on the part of either private or joint-stock enterprise is undeniable, but those who would undertake it must be able to work on a very narrow margin of "profits."

The instance, casually adduced, is a fair illustration of the way in which large fortunes have been made of late years, as compared with former periods. Except in such purely accidental cases as those to which we have before alluded, it has not been by a large proportion of gain on a comparatively small outlay, but by small profits on a very large aggregate of transactions. Where the inevitable risk is trifling, and the time required for completing the operations short, extremely small gains thus rapidly and securely acquired, mount up to a very large annual percentage on the capital required by those who earn such "profits."

It is very necessary to keep this in mind when considering some of the social questions of the day regarding the duties which are supposed specially to attach to certain sections of the community. In the higher grades of labour, competition has worked so far effectually in favour of the public interest, that, speaking generally, a high *rate* of profits cannot be obtained on the amount of capital *employed*. It is most beneficial that this should be the case; but the competition which

protects the general against particular interests sets narrow limits to the discretion of action possible to the latter. In other words, the "effective" demand of "consumers" at large governs, more strictly, the direction in which labour can be employed by producers, and the responsibility of public duties therefore falls more directly on the former. Very little discretionary power rests with the latter as to what they can produce: they must meet the special existing demand, or make a way for others who are able and willing to do so. It is quite true that there is a most ample field open for the exercise of the ingenuity of inventors of all kinds, who may supply, and, in a certain sense, create a demand for, new objects which may minister to the uses or pleasures of mankind. Such men are, indeed, the great improvers of society in a material, or even in a far higher sense. Their function may be in some degree educational. They may do much to excite purer and higher tastes, and there is a value, far above the "value in exchange," in such labour. On the other hand, no one can be absolved in any way from the reprobation due to those who appeal or pander to the vicious inclinations and lower passions of those whom, from sordid motives, they tempt to evil or imprudence. All this is perfectly true—our argument in no way tends to lessen the moral responsibilities of any man for the use of any of the powers which he may possess. Still, the ultimate decision rests with "consumers," not with producers. Whatever a man may be willing to give, it remains with others to determine what they will take in exchange for that which they have to offer.

Let us take, in illustration of our position in its more general and material bearings, the case of the manufacturers of cotton, whose prudence, conduct, and forethought have been subjected to severe and, in some respects, very unfair and inconsiderate criticism in the day of their adversity. Among other points more seriously urged against them was,

that they ought to have secured their supplies of cotton from more quarters than one, from India especially: that they might have obtained this advantage by devoting a portion of their "enormous profits" to the purpose, and that they were bound, not only by the dictates of common prudence, but by those of duty to their workmen, to have done so. A very little inquiry will show how far it was reasonable or possible for themto do so.* We are, we believe, within the mark in assuming that the complete operation of making calico from "raw" cotton can be completed, when mills are working full time, in about a month—say ten times in the course of one year. Roughly estimated, the cost of raw cotton, freed from dirt and waste, before the war in America, may be taken at 6*d.* per lb., and of the common kind of calico most extensively used, at 1*s.*, all charges, both for wages and on fixed capital, included. One farthing per lb. in the average price of cotton, therefore, would make a difference of rather more than two per cent. in the cost of each production of calico, or twenty per cent. per annum to the manufacturers—a rate of profit far above the average. But this farthing a pound would only be about four per cent. on the cost of cotton, which can be produced but once in the year; and the difference to manufacturers, between a very exceptionably large profit and no return at all, would have exercised hardly any appreciable influence on the growth of cotton in India.

It might, one would have thought, have been perceived, even by those only very generally acquainted with such subjects, that men whose energies, capital, and resources were already devoted to one large section of a useful work of production, would be at the greatest possible disadvantage in attempting to enter upon another: that a man managing a large factory in Lancashire was about the last person *able* to

* We have nothing to do with the Manchester school of reformers: we speak only to the case in point.

undertake the control of an agency ten thousand miles off in India, especially when such agencies had notoriously failed in the hands of others on the spot, fully their equals in enterprise and capacity. Censure, as far as it was reasonable at all, should have been directed rather against the idle and unemployed.

It would of course be absurd to attach any undue weight or importance to such casual criticisms, called forth by the general interest felt in one of the most important topics of the day. Truth, in the long run, is best elicited by such freedom of discussion. Misconceptions of this kind, however, very frequently arise, from looking to material capital and material labour alone as productive agencies: the fact that the difficulties of production and distribution can only be overcome by hard and well-trained work of the brain is too much overlooked, and the extent to which the division of labour is found to increase the practical efficiency of such head-work is very little known to "non-producers."

Thus it would be very easy, in theory, to devise a plan by which the business of bankers, discount agents, merchants, brokers, wholesale and retail dealers, should all be done by one man or one "firm"—nay, more, those who open up trade in a new region have often to perform individually, though roughly and imperfectly, all the work required; divisions of labour are introduced, not for the object of increasing, but of decreasing, cost. This is not perceived by looking merely to *price*. A charge, no doubt, is made at every stage, but if any one stage were found useless it would be passed over and expense thereby directly saved. It is only as far as experience shows that the increased efficiency, whether of mental or manual labour, more than compensates for the increased cost thus incurred, that such divisions can be maintained. Custom might retard changes, but where competition is as free as it is among the classes referred to, no one set of men could long continue to receive from others remuneration

for services which were practically useless. Changes, indeed, are constantly going on in the relations which traders generally hold towards each other, the portion and nature of the work performed by different sections are modified as circumstances require, but no tendency is shown towards reversing the system of division of labour. A merchant, for instance, knows that he can employ his time and thought, to say nothing of his money, better in his own business than by doing that of the broker, and that he unquestionably saves in the long run by paying a "brokerage;" and so on with all throughout.

We lay a stress upon this point, because some light may be thrown on our subject by reference to the means used for carrying on the operations of commerce: not that any undue importance is to be assigned to the mere work of buying and selling, but transactions of this kind are comparatively short and definite: experience, therefore, accumulates rapidly. Those concerned, moreover, may be considered as on an equality in all that relates to their mutual intercourse; and among such independent men no one for a moment supposes he has any right to remuneration on any other ground than the proved utility of his services. No considerations of class interests, as between rich and poor, employers and employed, can for a moment be here supposed to operate. The division —not the aggregation—of labour, risks, responsibility, and remuneration, by the extension of the partnership principle, has hitherto been found most conducive to true economy and efficiency, among those by whom free competition is most unreservedly accepted as the rule, and who work together most nearly, on equal terms.

"Labour" is thus more "*mobilised*"—better *articulated*, if we may be allowed the term—and more readily adapted to the varying exigencies and uncertain conditions of commercial enterprise. The division of services and responsibilities serves only to render true co-operation more easy and effective.

The combined effects of competition and the division of labour have thus been to reduce the proportion which "profits," or the equivalent rates of remuneration in any other form, bear to the aggregate production, though owing to the freedom and extension of trade of all kinds, the gains of any individual, able by superior skill or good fortune greatly to extend the amount of his transactions, may still be very large.

As a rule, with average minds, long practice and accumulated experience in one branch only of industry most conduce to efficiency: there are, it is true, some men with unusual power of combination able practically to unite very varied and, according to ordinary experience, incompatible duties, who, rightly placed, are invaluable as organizers. The remuneration of mental services will justly depend rather on the skill and application necessary to acquire knowledge, than on the intrinsic value of the knowledge so acquired. In material as in all other pursuits, the labours which have occupied the most vigorous minds of one generation become the routine and common-place work of the next, and the benefits derived therefrom become more and more common to all for the "relief of man's estate."

But it may be urged that we say nothing of the poor man's lot;—that all those to whom we have alluded, if not capitalists, are connected with them, and that society is not the less divided into classes—the employers and the employed. But can such a view of our social economy be accepted as a fair or a true one? We may, indeed must, generalize men as capitalists and labourers—as employers and employed—because peculiar functions appertain, though casually only, to those so classified. But can it reasonably be said that there is any permanence in these divisions? The nation has undoubtedly, year by year, accumulated large profits and

augmented its capital, but that these profits have accrued to a greater extent than losses, in the hands of any particular aggregate of men constituting the capitalists of any one period, is an allegation that cannot be admitted in the face of indications to the contrary that we see around us on every side. Those who undertake the risks of employing capital and directing labour cannot be confounded with the class of capitalists, without ignoring the whole system of credit which is so prominent, and, when rightly used, so incalculably beneficial to a part of our industrial organization. The apathy and stagnation, the avowed desire and the power to get gain by the operation of monopolies, may happily be regarded as evils of the past, as regards all the higher sections of the community; though these feelings still subsist in sufficient force to form a dominant and most unfavourable feature among those who have not risen from, or are falling into, the lower.

Let any one look around him and judge for himself whether gains have fallen exclusively, or even generally, to the class of capitalists existing ten or twenty years ago. We shall not refer to successful lawyers who have made fortunes out of fees, engineers, well-paid managers, and others who have accumulated very large savings out of salaries; for it may, with much truth, be said that they are, generally speaking, naturally associated with the wealthier class, and that a considerable amount of capital has actually been expended on their education; yet still against this we must set the numerous instances of lawyers and others, who, in a pecuniary sense, have failed, and have never been able to replace the amount thus expended in qualifying them for their career. But among manufacturers, railway and other contractors, traders of various grades—in short, among those engaged in all branches of industry, especially where the rewards of enterprise and intelligence have been exceptionally large—how many are to be found who have recently sprung from the rank of day-labourers—how many have risen,

or are rising, to that of capitalists. On the other hand, the losses which have fallen on railway shareholders alone may readily be estimated by many millions of pounds; and let any one add to these all the "failures" he has known of mercantile and other enterprises, and he cannot but come to the conviction that, even in the most progressive state of material prosperity, "losses" are not a mere bugbear set up by capitalists or others to increase their "profits." It is quite true that some of the adventurers who fail never pay their debts at all, but the excess of their expenditure must be borne by some one; the capital is gone and exists no more. Losses of this description fall rather on the class of employers of capital than on "capitalists," rather on those who earn "profits" than on those who content themselves with interest. There is no doubt that very many losses result from errors of judgment and mismanagement; but if such mistakes are made by those whose sole remuneration depends on the average excess of profits over losses, is there any reason whatever to suppose that such disasters will be averted merely by distributing such risks among the many, as they must necessarily be, if the profits are so divided?

Again, as regards the peculiar difficulty sometimes alleged of getting capital to support the independent exertions of labourers, we must set the most notorious and undeniable fact, that there are almost always funds seeking investment in any possible form. Periodically we see a financial crisis, exhibiting the risks that capitalists, great and small, will incur in the hope of obtaining some return very little in excess of the ordinary rate of interest. That it is extremely difficult for *any* unknown and untried individual to borrow money is perfectly true; but why? Solely because consumption is certain, and the work of reproduction uncertain. Capitalists know very well, many of them by dearly bought experience, the imminence of the risks that surround all industrial undertakings, and recognise the utility of those services of super-

vision and management which manual labourers rarely understand, and are very much prone to ignore. Monied men may, indeed, be apathetic and averse to novelty; they may, in some instances, refuse good and accept bad security; all employers of capital have to contend with difficulties of this kind; but the idea of class prejudices influencing the decisions of capitalists in any way, is simply absurd. Men may act from principle against their interests, or from interested motives against their principles, but it is impossible to conceive them persistently acting against both, as would be the case if they were to demur to make loans to associations of labourers, on any other grounds than reasonable doubts entertained as to their capacity to make their work really reproductive. We do not in any way refer to institutions, the object of which may be to aid the struggling and unfortunate poor, either by teaching them a new trade or in any other manner—such schemes have claims upon wealth of a totally different nature —but to co-operative societies, the design of which is to add "profits" to the wages of the labourer, and which, if not truly self-supporting, cannot but be prejudicial to all concerned in them.

That much good may be done under certain circumstances by the organization of workmen we readily and most gladly admit, but, while we accept the broad principles of co-operation in their fullest and highest sense, we do not believe that an organization which divides "profits" among manual labourers is, speaking generally, the one best adapted either to their own or to the public interests;—considering rather that "profits" are, and as long as society is in an active and changing state of material progress, will continue to be, by far the best form of remuneration for special kinds of services.

Whether or not it be really the case, we cannot undertake to say; but from the way in which profits are sometimes popularly discussed, it would seem that there was some misapprehension and confusion of ideas upon this subject among super-

ficial students (or shall we say teachers?) of political economy. But nothing can be clearer than that while profit in the aggregate depends on the excess of production over consumption, and must, practically speaking, be increased, but cannot possibly be diminished by fair competition, that particular proportion of the aggregate production commonly called "profits" can be, and is constantly being, reduced by competition, whenever the remuneration earned in this form is in excess of the real value of the services rendered for it. We may better demonstrate our meaning by the use of figures, not assumed with reference to any existing or supposed proportion, but adopted merely for the convenience of illustration. Let us suppose the case of 100 masters, employing 900 men, and represent the "profits" of the former by 400, and the wages of the latter by 600, and we must consider all as competing fairly and freely with each other. If the masters had a close monopoly, it is not likely that they would compete at all; but if their trade were open to all, and especially to men used to less expensive habits of living, but equally able to manage the work of production, it would be quite in the power of any one to sell his own goods at a reduced price. New comers would do this to increase their business, others would have to follow in order to retain their footing, or might retire altogether; and in this way it is quite possible that masters generally might forego their profits to the extent of, say, one-half. That, therefore, which had previously sold for 1,000 would be nominally reduced in price to 800—the men getting 600 as before, the "masters" 200. But the aggregate production would be at least the same. Prices lowered nominally in the proportion of 800 to 1,000 would represent the same amount of commodities, and the real profit or surplus, therefore, would be the same. If we suppose the change to be general, exchange value might be the same, but the products of labour would be really cheaper for all. Looking to prices only, we might have—

100 masters who formerly gained 400 now receiving 200 only.
900 men „ „ 600 „ 600 as before;

but looking to the purchasing power—the means of obtaining commodities—we have:

Masters' share of profits represented by 400 reduced by 37½ per cent. to 250.
Men's real wages „ 600 augmented by 20 „ 750.

which figures would represent the true ultimate result of the competition.

If all increase in the true profit on production went to "masters" only, little significance could be attached to the fact that men from the class of manual labourers were constantly rising into the higher grades: but we see in this the way in which "profits" and wages tend towards an equality, which they would quickly attain were the work done for wages really equal in value to that done for profits. It must, however, be borne in mind that, amidst the numerous wants and varied requirements of society, there may be competition either *of* men to *get* work, or that *for* men to *do* work. If work of any kind increases faster than men can be found who are properly qualified to do it, the comparative remuneration of those who are so qualified must increase, though profit will inevitably be lost to the nation; not because the gains of the few are augmented, but because the extension of production is retarded from the scarcity of competent workers. That men should be competing with each other for work may arise immediately from the pressure of population: to which subject we need not recur: but it indicates more surely a want of practical training and education; for as long as men have wants which can be satisfied by the results of human labour, there can be no real want of work in the world.

One further remark may be made regarding capital. Nothing can be more absolutely and demonstrably true than that labour depends upon capital for its support; that

the quantity of labour that can be employed is limited by the amount of capital available for its maintenance. But as long as every man, woman, and child in the kingdom is clothed and fed, unquestionably by the consumption of capital, how can we attribute a want of productive power to a want of capital? It is honest earnest heart-work and head-work that is deficient—not capital. It is true that there are many who are not maintained in that physical state which, other mental conditions being present, would most conduce to their efficiency and happiness. Exceptional cases of destitution must arise under any human system, however well devised; but there is that in the country—both the will and the means—to maintain every pauper in the kingdom on a far higher scale, if there were not the deep and well-founded conviction that the moral evils of such a scheme would so far counterbalance its physical advantages, that the ultimate result would inevitably be the impoverishment and degradation of the whole body-politic. How readily casual cases of distress can be met, the experience of the present day amply proves. Though official formalism may have enrolled many of the sufferers by the Cotton Famine as paupers, England knows and recognises them as true fellow-workers in her commonwealth.

A most important question yet remains to be considered regarding profits (including the remuneration which may be considered as a commutation for profits), and the wages of manual labour. Are the former taken from, and do they in any way diminish, the latter? We think not. On the contrary, they are a portion only of the products of labour, which would otherwise be wasted and destroyed. Where no monopoly exists, those who earn profits do so by reducing the "cost of production," but indirectly, if not directly, increase *wages*, inasmuch as the saving effected by those who earn profits is greater than the remuneration they acquire. There may be

casual and temporary exceptions, but this is the law by which profits must ultimately be governed. Otherwise, how can we possibly account for the general body of consumers —all anxious to get as much as they can for their money, and at least as willing to pay a poor man as a rich one—dealing with masters at all? To take the experiences of common life:—Would any man wanting a house pay a builder's profit, if he thought journeymen bricklayers, carpenters, and others could do the work efficiently without supervision and assistance? He knows perfectly well that any such attempt would end in utter confusion and greatly-increased cost. Even if he were to give all his time to directing and supervising the building, he might do work enough, perhaps a great deal more than enough, to earn a builder's profit; but the probabilities are very much against his getting it. There will be loss and waste on every side, and all the satisfaction he would receive from the journeymen would most likely be some such reflection as this: "Why, what a fool the man must be! He doesn't know what he wants himself, and thinks we are to find out for him:" and the remark, from their point of view, is perfectly true. Consumers, in fact, do not know what they want in detail. They require the concrete products, not the separate items, of labour. Their effective demand is for a ship, or a house, or a cart, complete and entire; that for the materials of which they can be made comes only from those who are as truly productive labourers as those by whose hands the work is performed. Nothing, indeed, has any real utility or value at all until it be fitted for "consumption;" and while material production must be the result of both mental and physical exertion, it is an inversion of the right use of terms to say that the latter depends on the former.

It is an axiom amongst sensible men engaged in any new undertaking, that by the time they have finished the

work in hand, they will have found out several ways in which it might have been better done. It is thus that experience accumulates; and any master tradesman, who cannot do something for his customers in the way of showing or explaining to them how their wants can best be satisfied, will hardly keep his business together. We must consider the members of a community as workers, as engaged in some useful, though not necessarily—in a material sense—productive occupation; and we cannot have regard to the exceptional and dilettante experiences of those who merely want something to do to occupy their time. A man for example may, if he choose, go to fifty or a hundred shops, and furnish his house at a comparatively small cost in money, although at a very great expenditure of time and labour. But a well-employed man cannot afford to do this: his time is money or, it may be, something far better than money to him.

Although there are, strictly speaking, no exceptions to this law to which we have alluded, unfortunately, very great hindrances to its just operation exist, chiefly among those very classes who suffer most from abuses arising from the neglect of it. If journeymen would fairly compete, or cordially aid their fellows in so competing, for the work, the profits of which are the object of their envy and desire, the rates of remuneration for labour of all kinds must inevitably be brought, not indeed to an absolute equality, but to bear a just proportion to the real value of the services mutually rendered.

A double operation is, in fact, constantly going on in our industrial system: first, the division of the work to be done—and it is needless to enter into any proof of the enormous extent to which production is increased by these means; then, necessarily, the aggregation and re-integration of the results of the labour so divided, in the various

forms and ways required for the wants of the whole community.

This work of distribution and re-collection is performed by the employers of labour for their own profit, but at their own risk and charges; but however imperfectly and inefficiently these functions may be discharged, unless it be held that the total cost of production by organized, is greater than that by unorganized, labour, it cannot be supposed that, in a free country, the profits of the employers are taken from the wages of the employed. But, so far from this being the case, the complaint is that large dealers and producers undersell the small ones, and leave no chance to the "independent" labourer: in other words, they not only get their profits, but pay, in the form of wages, more than any man working alone can obtain from consumers. But whose interests are most worthy of consideration—those of individuals, or those of society at large? What right has any man to expect that his neighbour is to prefer bad work to good—or say, if you will, good work to better? We are not speaking of charity, but of fair dealing between man and man; and let us consider for a moment, how inherently selfish and one-sided are the doctrines which would protect any section against free and fair competition.

All value is based on labour—all purchase and sale is, essentially, an interchange of the products of labour. The buyer gives money, representing any of the products of labour; the seller gives one particular product of labour. The theory of protection and combination simply resolves itself into every man striving to get as much as he can from his fellows—that of fair competition into every man striving to earn his recompense by doing as much as he can for his fellows. From which are we to expect the best general result to the commonwealth? The true bearings of this most important question will never be seen by taking

a partial view of the subject, and looking only to prices. The great object is to increase the general power of productive labour. We have, we trust, given sufficient proofs that we do not regard the mere increase of material production as the great end of our being: that is by no means implied. The aim of all true economic science is, to reduce the amount of labour which men are *compelled* to expend in supplying their physical wants. In a higher sense, the national profit may be said to be the time and energy which the nation has at its disposal, after reproducing the amount of material expenditure, necessary to preserve to all the functions of life in their highest attainable efficiency. This is the "profit" which all alike desire, though there are endless diversities of opinion as to the way in which this surplus should be applied. It *may* be devoted to science, art, literature, to education, to the contemplative exercises of religion—with its practical considerations mankind can in nowise dispense —to pleasure, ease, and luxury, or the accumulation of more wealth. To what it *ought* to be devoted, is a subject far beyond the limits of our present inquiry; but the common welfare of all is most nearly concerned in promoting that efficiency of labour by which the urgency of the pressure of our material wants can alone be relieved.

It is for this reason only that questions of the distribution of wealth must be held subordinate to those of its production. If, indeed, employers of labour were banded together as a caste, whose privileges were inaccessible to the rest of mankind—if they themselves were not exposed to the full operation of the law of free competition, we could not advocate its general adoption by all classes of the community; but knowing, as we do, that the advantages of this just and essentially liberal system must be shared by all, we cannot but regard the maxims of protection, still held and maintained by the trades-unions of the "operatives,"

as the great bar to all social improvement. Remembering how recently such dogmas as these were generally accepted, we cannot be surprised that they should not readily be abandoned by the less educated classes; but, surely, the refutation of every argument in favour of the protection of British against foreign industry, may be far more strongly and conclusively urged against the protection of one section against the common interests of the community! For what is this principle of competition which excites so much opposition? Simply the maintenance of the right of every man to make the best use he can of his own capacities on the one hand, and of every man to give the fair proportional equivalent for actual services rendered on the other.

Mr. Mill puts forward a new view of combinations, intended to uphold wages at an artificial rate, by limiting the number of competitors—regarding them as a possible means of "intrenching round a particular spot against the inroads of "over-population, and making the wages of the class depend "upon their own rate of increase, instead of depending on "that of a more reckless and improvident class than themselves."* There are, no doubt, close combinations of artisans who do succeed in keeping up the rate of their wages far above the average, not only by the limitation of the number of competitors, but also by that of the time they are permitted to work;-but there does not seem any reason whatever to suppose that these results are in any way owing to their own prudential abstinence, or, still less, to the exercise of any such purity and continence as, even on these grounds, entitle them to the privileges they usurp.

In the very same page, Mr. Mill alludes to the evidence given to the Hand-loom Weavers' Commission, to the effect that, while their own employment was "overstocked and almost ruined," there "were many other trades which it would not be

* Principles of Political Economy, Book ii. cap. xiv. sec. 6.

difficult for them to learn," but that the "combinations of "workmen in those other trades were said to interpose an "obstacle hitherto insurmountable." Have we not here a most forcible illustration of the miseries which result, not indeed from competition, but from the fair operation of the principle being thwarted by most unjust and cruel combinations? It can hardly be alleged that the distress of the hand-loom weavers arises from the undue increase in their own numbers, rather than from the more general introduction of power-looms. If, when one branch of industry is superseded by another, those who can no longer find employment in the old methods of working, are to be debarred from engaging in the new, we have a double evil; a temporary but utterly indefensible monopoly on the one hand, and artificial destitution on the other.

That the working classes of England are designedly cruel towards each other, we do not and will not believe; but what we want really to hear of these matters is, the working-man's own voice freely expressed, not that of the working-man's self-constituted friend, or of the delegates who owe their sole importance to the baneful agitation which they maintain. It will be hard indeed for any one trade to lead the way in throwing off the trammels of old prejudices; but the restriction which overtakes one to-day may be the fate of another to-morrow. The fear no doubt is, that free competition will serve only to bring the wages of all to a common level. It would, certainly, tend to do so; but is there any reasonable ground for apprehension that that common level would be a low one? The answer depends entirely upon the spirit in which the competition was carried on. If the object of all were to limit production, with the view of keeping up prices—if every one strove to give as little and get as much as he possibly could, what other result could there be than an artificial scarcity? There would be little to divide, and a

fiercer competition than ever for the diminished share falling to each. But if, on the contrary, all unite cordially in the work of production, although some temporary difficulty might be experienced in finding useful employment for all, how can it be otherwise than that a vastly increased amount of commodities will be shared by all? If 100 men make 150 instead of 100 pair of boots, there may, no doubt, be some difficulty in selling the surplus—they may even have to sell the greater for the same price as they had formerly obtained for the less number. But what of that, if other trades generally were doing the same? It matters not whether money-wages are raised by a half, or prices generally lowered in the same proportion: the result is the same. Each man's share of what is useful, necessary, or agreeable to him is greater: or, if he prefer it, he may work less. If a man choose, and can afford, to take half-a-day's earnings for half-a-day's work, he has a perfect right to do so. He takes less from, and contributes less to, the aggregate production; but he has no right to insist on his neighbour following his example, or, still worse, to compel him to spend a whole day in doing work that he could perform in half the time. We do not ignore the fact, that hardship may arise from the over-production of articles, the consumption of which cannot be proportionably increased; but even in such cases, how much will the difficulty be mitigated if no obstacles be placed in the way of all undertaking those occupations to which they are most inclined, and for which they are best qualified. The dread of a *general* over-production, of too great an abundance, is a palpable absurdity: that "natural agencies," such as those supplied by the land, may prove deficient, is a reasonable ground for apprehension; but too much use cannot be made of those supplied without limit. Competition of this kind will not, it is true, present any specious appearance of equality, simply because men are not, by the laws of nature, in reality equal; but it is no way

incompatible with the kindliest feelings of good fellowship and mutual association.

Objectors will say that the profits will go to "the masters," and the men will derive no real benefit; but nothing can be more contrary to probability than the assumption. The immediate effect of increased production is to reduce prices, and no larger capital would be required to carry on the extended trade; and the greater efficiency of labour will not even tend to augment "profits," using the term as describing "the master's" remuneration. Those, indeed, who succeed in finding out new ways of employing labour and satisfying the wants of "consumers," may acquire a proportion, larger than the average, of gain; but such men, according to all recent experience, would spring from the higher or lower classes indiscriminately: and if we could only suppose that sufficient enterprise and intelligence were exercised in this way, the reorganization of industry might be constantly going on, without even the partial drawbacks to which we have alluded. Workmen, instead of being left out of the old, would anticipate and avert distress by entering upon new, undertakings.

The severity of competition in any branch of industry will, however, inevitably depend on the number of competitors able to do the work required. No perfection of system will enable apathy and ignorance to take the place of industry and capacity. How can it be possible to distribute remuneration, unless the work for which remuneration is earned, can also be distributed? There will always be a "natural monopoly" in favour of those specially qualified to take the lead in inaugurating and carrying out improvements on a large scale, and none more deservedly earn the gains they may acquire. To follow a lead thus taken ought to be within the capacity of very many; but the want of discriminating intelligence, very frequently leads men in all classes at first to hold back unduly from new undertakings, and subsequently to over-

crowd them, in the unreasonable expectation of sharing the advantages of a casual and temporary monopoly. Such inequalities as these are, however, sooner or later adjusted, though not without much individual suffering and disappointment. But the proportion of the common total production acquired by any class, must depend on their intrinsic capabilities for the time being, far more than on any extrinsic circumstances. As long as the class of manual labourers not only do not qualify themselves, but actually, by a blind adherence to pernicious trade-customs and prejudices, suffer themselves to be disqualified for taking a larger share in the work of production, their wages must continue to be on, comparatively, a low scale. We say "comparatively," for the positive rate of remuneration must depend also on other causes. A small number of settlers on a very fertile country, for instance, may supply their wants abundantly by means of very rude and ill-directed labour. We must constantly bear in mind the effects of the increase of numbers, though we need not again further allude to the subject.

There are thus three kinds of competition: That arising from the pressure of population, which, on the assumption that the population has already been called into being, is inevitable. That—practically speaking, necessarily involved in the system of protection, whether by authority or combination—of numbers striving to share in the gains acquired by exchanging the products of their own labour, on unequally favourable terms for the products of other men's labour, which bears in it the seeds of its own destruction. And lastly, that which consists in every man serving and being served by his fellows, without let or hindrance, to the best of their several abilities.

There is but one way in which the remuneration of labour can be more generally equalized. It is only by the more general diffusion of sound education that the capacity of the

lower classes of labourers can be so far raised as to admit of their entering freely into fair competition with the higher: but, of all things, it is most essential that the real value of education should be rightly appreciated. Nothing can be more mischievous than to let the young imagine that, because they have received an education, they have, therefore, a right to expect the Government or society to find suitable employment for them. On the contrary, the truth cannot be too forcibly inculcated, both to high and low, that, having received this advantage, they are the more bound to find out for themselves how they may do some useful work in the world. To excite higher aims *for* society, not greater expectations *from* it, is the true end of all education.

As, under any conditions, the just division of labour will equally conduce to its efficiency, we cannot regard the general extension of the partnership principle to co-operative associations as the system on which the productive industry of the country should be ultimately organized. Nothing, indeed, can be worse than a system of "organized hostility" between those whose interests are mutually dependent upon each others' exertions; and any means are desirable by which a better understanding can be brought about between employers and employed, or, indeed, between the payers and receivers of remuneration of any kind. But that the so-called "working classes" should regard the interests of their employers as opposite to their own, is in great measure owing to their incapacity to recognise the value of any other kind of labour than their own, and the extremely superficial views too generally disseminated among them regarding value. They easily recognise, partially, the great truth that labour is the basis of all value, but do not so readily perceive that the necessary condition of this value is the practical utility of the products of their labour to others They are apt to conclude that, because they have made, or could make, something

which is useful in itself, that some one else is bound to take it in exchange for what they require—knowing little or nothing of the inexorable nature of the laws of demand and supply. Their prevalent feeling in another way is not inaptly expressed by a remark we lately heard of, as having been made by a house-carpenter justly proud of his skill in making window-sashes. "Mr. ——," he said, in reference to the builder for whom he worked, "may build houses, and I have heard his houses complained of; but I defy him to turn out a sash like that." It would have been impossible to make him see the extremely inconsequential nature of his challenge.

The material production is all that is visible to the eye, and it is not to be wondered at, that those who see the work of their hands in every part of a house, should conclude, however erroneously, that the house itself is the result of their labour alone. There is, indeed, no standard by which to measure head-work. The best results of management are like a perfectly well-constructed sentence: the reader cannot imagine how the idea conveyed could be more simply or easily expressed. And the method of the higher kinds of labour can still less be perceived. James Brindley, among his locks and cuttings, could at least be seen to be at work in some way; but Mr. Smiles tells us that his hardest days of mental exertion were chronicled by the words "lay-abed," it being his custom to think his way out of his most perplexing difficulties in the place usually devoted to rest. The nature of cares and anxieties of this kind can only be learnt by experience, which will indeed be the best, if not the only efficient, teacher. So far from considering that co-operative associations should be discountenanced, we would gladly hail their formation, under any conditions affording reasonable propects of success, as the best, if not the only, means by which the points now at issue between employers and employed can be brought to a practical test. It is indeed of

the utmost importance, in every point of view, that any such attempts, honestly made, should receive a fair and generous consideration, whether in their success or their failure. That manual labourers should learn for themselves something of the nature of the work by which profits are earned, is, in either case, an unmixed good. But we believe that any expectations that may be formed of sharing large "profits" will be doomed to certain disappointment; unless, indeed, they are earned by a greatly-increased amount of exertion. The best result, according to our views, to be anticipated would be the general acceptance of the system of working more or less in detail by contract—a method which is by no means incompatible with such associations of "operatives," as may be found most conducive to the efficiency of their labour. The present opposition to piece-work, however, is on the part of the "operatives."

The most prominent fact in the very interesting notice which Mr. Mill gives of co-operative associations * in various countries is, that the members of them work with far more than ordinary industry and perseverance, and have exhibited powers of self-control of a very high order. But the question still remains whether the exercise of the same virtues would not have insured the same or a greater amount of success under any other system—at all events in this country.

One of the chief instances which he adduces of success in England is the case of the Rochdale Society, which was not originally, strictly speaking, co-*operative*. It was, it is stated, founded in 1844 by twenty-eight members, with a capital of 28*l.*, which, by 1860, had increased to nearly 38,000*l.*; the amount of its cash sales being no less than 152,000*l.*, yielding a profit of nearly 16,000*l.*—the number of members being 3,450. The primary object of the association was, however, to supply commodities to its members, taking ready-money only and selling articles of the best quality; and the undertaking, from

* Principles of Political Economy, Book IV. cap. vii. sec. 5, 6.

first to last, appears to have been devised and carried out with the vigour, enterprise, and intelligence best calculated to insure its success. Food and clothing of the best, instead of almost the worst, description were thus obtained—and, even better still, men were weaned from the pernicious system of debt—of *expending* money before it had been earned, which is so fatal to all right feelings of personal independence. It is cited (but not by Mr. Mill) as an example of the success of the principle of association over that of competition, but may with more reason be regarded as the successful competition of just and fair dealing, properly supported, against the dishonest trading of that class of distributors of commodities by whom prices are kept up by custom and combination, and the legitimate operation of the laws of competition thus perverted and thwarted. No sympathy need be wasted on the numerous dealers who must have been undersold and driven out of the market by the Society. At the best, they were useless. The association of consumers is, as we have before remarked, the most appropriate remedy which society has against bad service. And be it specially observed, that these associates began by reforming their own practice, adopting the thrifty mode of paying cash, and giving up the wasteful habit, for all parties, of running into debt. The true operation of competition would be still further to extend the benefits of fair dealing. Two or three competitors would reduce profits from about 10 per cent. (according to the statement quoted) to perhaps 2 per cent.,* or even less, on the aggregate of sales, or from 42 per cent. to 8 per cent. or under, on the amount of capital. As far as members of the society referred to are concerned, they of course pay the prices which yield this profit to them-

* Two per cent. net profit on sales amounting to only 50,000*l.* . . £1,000
Deducting interest, at 5 per cent., on 10,000*l.* capital 500

We have an annual remuneration of at least £500

independent of any wages or salaries. Cash sales involving no risk of loss, a far less capital would probably be requisite.

selves; an overcharge is made, as a very useful device to make saving easy, and these savings are again usefully and profitably employed. But let us suppose—if we may be pardoned for so ungracious a supposition for the sake of illustrating our argument—that such a society had the desire and the power to maintain a monopoly for the supply of others. Its members would then become a privileged class, taxing their neighbours for their own benefit. The evil would be the same in kind, though less in degree than that which the society was formed to remedy. A reform once effected, there is no fear of the old wrongs reviving with competition. Once let a fair standard be established, and consumers, as long as *they themselves* deal fairly, and do not sacrifice their independence by getting into debt, will have little difficulty in maintaining it. A lasting debt of gratitude will, nevertheless, be due to those whose energy and perseverance first broke through the old system of complicated abuses.

We fully agree with Mr. Mill, in regarding all instances of successful co-operation among "operatives" as most encouraging and hopeful signs for the future. Whatever forms may ultimately prevail in the organization of our national industry, the knowledge thus derived and widely disseminated by actual experience, will be invaluable. And there are, unquestionably, many specific evils in the existing state of our social economy which can best be remedied by united and co-operative efforts. One thing is certain—that a large portion of "gross profits" is absolutely at the call, so to speak, of manual labourers. As long as human nature remains what it is, some system of checks will be indispensable; but as far as these can be superseded by mutual good faith and trust, the advantage will chiefly result to themselves. The expenses of all supervision, requisite merely to detect and prevent dishonest or recklessly bad work, make a difference between "wages" and the "cost of labour;"

and it is for the manifest interest of employers to give the full "cost of labour" wherever they can obtain, without care or anxiety on their part, the full value of work. Whatever influences might be exercised by external causes, one result would certainly be obtained by manual labourers generally fairly working on contract; this one item, now wasted as a part of gross profits, would be added to the share of those who earned "wages."

If material production were the one great object of life—if the perusal of the pages of a ledger, with a personal interest in its entries, were in itself an end to be desired, we should regard the entire question of the remuneration of services very differently; but there are also very many who wish to avoid, as far as they can, the cares and anxieties of business, and perform that work only which they can do most easily. They prefer to spend their surplus resources, which might be applied to productive purposes, in other ways, and their choice is by no means to be reprehended. All that can be required of a man is, that he should supply his own wants by the fruits of his own labour. Among the higher and more educated classes it is not uncommon to find men who thus honourably earn an income adequate to their wants, and yet reserve a considerable, perhaps the best, portion of their time and energy for other and higher objects. Such men are sometimes found in the receipt of salaries, preferring the more appropriate remuneration of "wages" for duties which do not expose them to the more harassing and engrossing toils of productive labour. It is both mischievous and unreasonable to associate wages with any necessary idea of personal inferiority. In all classes, a really good workman for wages is quite as likely to be independent as his employer. The system of hiring and service might, we believe, be generally superseded by that of contract, with

very great mutual advantage; still, we cannot but think there is an undue prejudice in some minds against the mere name of "wages," as a mode of remunerating manual labour.

There are also some difficulties of a very grave kind attendant upon the division of labour, which we can only hope to meet by looking beyond the conditions requisite for material production. If the increased efficiency of men, as producers, could only be attained by reducing the great majority of individual labourers to the condition of mere parts of a vast machine, the evil might indeed be held to outweigh the advantages of the system. But let us consider the question more broadly. We do not speak of the low aims or the unworthy incentives which influence men's desires. Such considerations govern the direction in which labour shall be employed, not the means adopted for its most efficient regulation. The consequences of the increasing pressure of population must be kept steadily in mind: growing wants have to be provided for by means which can be augmented only by the more effective application of industry. Without the aid of machinery and organization, the whole of our powers would hardly be adequate to supply our physical wants, and at best it is only some of the minor subdivisions of labour that could possibly be dispensed with. But, as regards mental training, there can, for example, be little difference between a man devoting his life to making entire pins from beginning to end, instead of making pins' heads or pins' points only: or to go a step higher; all the ordinary arithmetical and copying work of an office is done—and frequently best done—by those who cipher and write almost unconsciously. In short, work of *any* kind which can be reduced to mere routine soon ceases to afford any adequate exercise to the higher mental powers. But while such occupations do not develop, they do not, speaking generally, exhaust the mind; its faculties, on the contrary, are more liable to be impaired and dwarfed by want of use—

to rust rather than to be worn out. The few only who are engaged in the higher branches of industry, as inventors or discoverers, or in organizing or reintegrating labour, find full exercise for their powers in the work and responsibilities which they undertake. Rightly pursued, "business" of this kind is a liberal vocation for those well qualified to carry out its operations, and the danger rather is, that in this class, the mind may be too completely absorbed and its energies overtaxed.

It is impossible to distribute, generally, work of this kind; but are we, therefore, to abandon those means which tend so greatly to lessen the amount of labour necessarily devoted to material production? or are the minds of the many engaged in the lower grades of employment, requisite for this necessary production, to be left fallow? On the contrary, we may rather hope for better results by rendering such operations yet more simple and subordinate, and trust to education of a higher character to raise the capacity of those engaged in them. There is this compensation:—much work of a purely mechanical description leaves the mind almost entirely free; and those powers which cannot usefully be employed within the field of "production" may, and ought to be, beneficially exercised beyond it. Even where more thought and attention is required for duties not so completely reduced to mere routine, the faculties may be still fresh and vigorous after the day's work. Above all, it must be remembered that the only means of reducing the hours of labour, necessarily devoted to the supply of our physical wants, is by increasing the efficiency of labour. Whether the leisure so attained be a blessing or a curse depends entirely on the truth and integrity of our national education.

We cannot enter upon the question of the recompense of those whose services are not in any way materially productive, but who must necessarily draw their support from the

aggregate of the material profits of the country; nor again revert to those who, though fallen below the condition of self-supporting labourers, must still be maintained from the same source. We limit ourselves to the consideration of those questions of distribution which have more immediate reference to the laws of material production.

Yet a few words on the moral aspect of the question. It has been said that Christianity is opposed to competition; but it is not perceived that what is commonly called the *spirit*, is totally different from the *principle* of competition. The former is the purely selfish desire to excel—to obtain more power, wealth, or consideration than others. The latter, in asserting the equal right of all to obtain these objects by the fair exercise of their abilities, tends rather to mitigate the evils of personal rivalry. The moral evil of selfishness is far too deeply rooted to be eradicated by any formal changes of system. A vice of style, to which some very ardent writers are too much prone, is the constant use of the second personal pronoun. "*Your* duty," cries the teacher. Example is stronger than precept, and "*your* duty," repeats the hearer. But to do *my* duty is what primarily concerns *me*, and all the precepts of the Gospel are eminently for *personal* application. By patient obedience to these precepts, as they were given to us, we can alone hope to overcome evil with good. The fierce bitter struggles of competition are not to be averted by lessening the incentives to useful and honourable exertion, but by every man learning to regard, with an equal eye, the efforts of his neighbour.

We have said little of abuses on either side. It is not our object to exhibit the struggles of mutual wrong in its various phases—of fraud against force, of oppression against deceit. The "advocates of the devil" on either side have had too exclusive a hearing, and nothing could be more fatal to all true

progress than any attempts to check the selfishness of the rich, by yet more powerful organizations of selfishness among the poor.

Nothing can be more mischievous and irrational than to frame theories for distribution, in utter disregard of the laws of production, instituted not by the devices of any class of men, but by the ordinance of the Creator. It is not by man's will or desire or merit, but by man's *toil*, that the powers of nature—not adverse, but obedient to higher law—are made subservient in various ways to the wants of mankind; by man's toil, not blindly exerted, but guided by the exercise of reason and intelligence. Subject to these conditions, much remains to be done for the alleviation of our common lot, and for sharing one another's burdens, in material as in other things; but under whatever forms labour may be organized, our prosperity depends on the hearty co-operation of the rich and the poor, of the head and the hand, of science and enterprise and industry.

Here we must bring our Essays to a close, with a deep feeling of the imperfection with which our task has been executed, yet not without some hope that our labour may not have been wholly in vain, in showing the relation which the material bear towards the moral and intellectual Resources of the Nation.

THE END.

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